

Public Document Pack

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To: Cllr Dan Rose (Chair)

Councillors: Dave Hughes, Ted Palmer, Jason Shallcross and Antony Wren

Co-opted Members:

Steve Hibbert, Councillor Andrew Rutherford, Councillor Gwyneth Ellis and Councillor Anthony Wedlake

5 September 2024

Dear Sir/Madam

NOTICE OF HYBRID MEETING
CLWYD PENSION FUND COMMITTEE
WEDNESDAY, 11TH SEPTEMBER, 2024 at 2.00 PM

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 - 12)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 19 June 2024.

4 **CLWYD PENSION FUND ANNUAL REPORT AND ACCOUNTS 2023/24** (Pages 13 - 186)

Purpose: To provide Committee with the draft Clwyd Pension Fund Annual Report and Accounts for 2023/24 to consider and comment on, and to make Members aware of the response to the 2023/24 Audit Enquiries Letter.

5 **DRAFT STEWARDSHIP CODE SUBMISSION** (Pages 187 - 274)

Purpose: To provide Committee with the draft Stewardship Code submission for consideration and to delegate approval of the final version to the Head of Clwyd Pension Fund.

6 **GOVERNANCE UPDATE AND CONSULTATIONS** (Pages 275 - 354)

Purpose: To provide Committee with an update on governance related matters, including the updated Conflicts of Interest Policy and Under and Over Payments Policy for approval.

7 **INVESTMENT AND POOLING UPDATE** (Pages 355 - 388)

Purpose: To provide Committee with an update on investment matters and the Wales Pension Partnership.

8 **FUNDING AND INVESTMENT PERFORMANCE** (Pages 389 - 432)

Purpose: To provide Committee with an economic and market update, the current funding position, and the investment performance of the Fund.

9 **PENSION ADMINISTRATION/COMMUNICATIONS UPDATE** (Pages 433 - 446)

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

10 **FUTURE MEETINGS**

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

9.30 am on Wednesday 27 November 2024

9.30 am on Wednesday 19 February 2025

9.30 am on Wednesday 19 March 2025

9.30 am on Wednesday 18 June 2025

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

19 June 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, 19 June 2024, with remote attendance available via Zoom.

PRESENT: Councillor Dan Rose (Chairman),

Councillors: Dave Hughes, Ted Palmer, Jason Shallcross, Antony Wren

CO-OPTED MEMBERS: Councillor Anthony Wedlake (Wrexham County Borough 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), Karen McWilliam (PFB Independent Chair, Aon)

APOLOGIES: Councillor Gwyneth Ellis (Denbighshire County Council)

Advisory Panel comprising: Philip Latham (Head of Clwyd Pension Fund), Gary Ferguson (Corporate Finance Manager), Sharon Carney (Corporate Manager, People and Organisational Development, present from item 6), Alison Murray (Independent Adviser – Aon, taking minutes at item 11), 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), David Bateman (Fund Accountant), Matt Grundy (Graduate Accountant), Ieuan Hughes (Graduate Investment Trainee), Morgan Nancarrow (Governance Administration Assistant – taking minutes), Chris Emmerson (Aon – Public Sector Consultant), Janet Kelly (Democratic Services Officer), Sharon B Thomas (Democratic Services Officer)

Guest Speakers comprising:

Jodie Williams (Audit Wales, item 6 only), Aidan Quinn (Russell Investments, item 12 only), Andreas Koester (Russell Investments, item 12 only), Rupert Crook (Russell Investments, item 12 only), James Zealander (Waystone, item 12 only)

The Chairman introduced himself to the Committee as this was his first Committee meeting, having been appointed at the Flintshire County Council AGM on 14 May. He thanked the former Chairman Councillor Ted Palmer.

The Chairman reminded members of restrictions on public bodies that apply during the pre-election period. He then welcomed Jodie Williams of Audit Wales who would be presenting the Audit Plan.

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

The Chairman 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.

The Chairman noted that the Governance Update and Consultations item refers to the investment consultancy tender, so attendees from Mercer, the Fund's Investment Consultants, were asked to leave the meeting during this item. Item 11 relates to a proposed new officer management structure so Fund officers were asked to leave the meeting during this item.

There were no new declarations of interest.

2. **APPOINTMENT OF VICE CHAIR**

The Chairman stated that whoever is appointed Vice Chair, will also be appointed as the Deputy representative on the Joint Governance Committee (JGC) for the Wales Pension Partnership. The Chairman asked for nominations for this role.

Following nominations by Cllrs Hughes and Rose, Cllr Shallcross was appointed as the Vice Chair.

RESOLVED:

The Committee appointed the Vice Chair and noted that the Chair and Vice-Chair are therefore appointed as Member and Deputy (alternate) respectively of the Joint Governance Committee for the Wales Pension Partnership.

3. **MINUTES 20 March 2024**

The minutes of the meeting of the Committee held on 20 March were agreed.

RESOLVED:

The minutes of 20 March 2024 were received, approved, and will be signed by the Chairman.

4. **MINUTES 17 April 2024**

The Chair explained that the minutes of the Special Committee meeting on 17 April presented here are a public document, however as this was a private meeting, Officers hold a more detailed record of the meeting which can be made available to members on request.

The minutes of the meeting of the Committee held on 17 April were agreed.

RESOLVED:

The minutes of 17 April 2024 were received, approved, and will be signed by the Chairman.

5. AUDIT WALES EXTERNAL AUDIT PLAN

Mr Bateman introduced this item, and handed over to Jodie Williams of Audit Wales to take the Committee through the key points of the Audit Plan including:

- The materiality level and reporting threshold.
- Related Party and Key Management Personnel Disclosures is an area of specific interest, for which a lower materiality level has been set.
- Audit work and planning is underway and not all areas of the risk assessment have been completed.
- At present, the only significant financial statements risk identified is the risk of management override of controls. She explained that this is an inevitable risk present in all entities, and outlined the Audit Team's planned response. Should any additional significant financial risks arise, Audit Wales will report these to Committee at future meetings.
- There are two areas other of focus at present: Investment Valuations and Key staff changes within the Finance team.
- The audit is planned to take place over July and August, and Audit Wales will report back with the Audit report and opinion to November Committee.
- The estimated total audit fee which is an increase of just under £3,000 compared to last year.
- The audit team, and potential conflicts; the audit lead and trainee are deferred members of the Fund and safeguards are in place to mitigate any risks to independence.

Mr Hibbert commented on the figure of £49,693 for the estimated audit fee and Ms J Williams confirmed that this is approximate and any excess will be returned in the event of an underspend.

Mrs McWilliam noted the timescale for the audit report to come to Committee in November, and asked if a draft of the Fund's annual report and accounts will still be received at the September Committee. Mr Bateman said that the original intention was to take the report to September Committee and the Fund is still working to this deadline, but Audit Wales are suggesting the final audited report will be in November. Ms J Williams confirmed that Audit Wales do still plan to carry out the audit work in July and August.

RESOLVED:

The Committee noted and commented on the Audit Wales Plan.

6. GOVERNANCE UPDATE AND CONSULTATIONS

Mr Steve Turner and Mr Paul Middleman of Mercer left the Chamber for the duration of this item. Ms Murray stated that as the Fund's Independent Advisers, Aon is not bidding for the Investment Consultancy contract and has no conflict of interest in relation to discussions of the tender.

Ms Murray took the Committee through this report, highlighting:

- The new risk register format following approval of the updated Risk Policy in March.
- Compliance reporting against The Pension Regulator's new General Code of Practice
- The rationale for the recommendation to update the Business Plan with an additional item regarding the governance of the Wales Pension Partnership (WPP)
- The review of the Business Continuity Policy, for which it was recommended that Committee approve the updated policy on the basis that the minor changes requested by Mr Hibbert would be applied.
- The Investment Consultant Tender. It was agreed in March to bring the review of this appointment forward in order to allow Mrs Fielder to complete the procurement before her retirement. However, due to unexpected delays in the process, the procurement was behind schedule with interviews taking place next week. This meant that there was no recommendation to appoint a bidder. Therefore it was proposed to delegate the finalisation of the procurement and appointment of the preferred bidder to Mrs Fielder and Mr Ferguson.

Mr Hibbert asked for clarification of whether the existing contract is being terminated early. Mrs Fielder confirmed that could be done, subject to allowing a handover period of 3 months.

RESOLVED:

- a) The Committee considered the update and provided comments.
- b) The Committee approved the addition of a governance item, relating to the Wales Pension Partnership, to the Fund's 2024/25 Business Plan.
- c) The Committee approved the updated Business Continuity Policy, subject to Mr Hibbert's suggested changes.
- d) The Committee delegated the selection, appointment and dismissal (as required) of the Fund's investment consultants to the Deputy Head of Clwyd

Pension Fund and the Corporate Finance Manager following the completion of the interviews and associated scoring.

7. ADMINISTRATION AND COMMUNICATIONS UPDATE

Mrs K Williams took the Committee through this report, and highlighted some areas, including some that had developed since the time of writing:

- Communications Strategy (Task A7 of the Business Plan) – Following research around a telephony service to better direct incoming calls from members and monitor calls, a business case was submitted to the Digital Strategy Board and approved. The level of work and costs still need to be decided and as such the timescales are still to be agreed.
- McCloud update – statutory guidance was only received on 18 June which provided the option of an extension to 31 August 2026. However there is no intention to change the timescale of the Fund's project at this point.
- National Pensions Dashboard – it was recommended that Committee delegate key decisions to the PMG on the condition that both the Pensions Administration Manager and Head of Clwyd Pension Fund are present for those decisions to be made.
- Review of Administration Strategy and Administering Authority's Discretionary Policy.

Mr Hibbert noted that there is a single employer with a single employee who have been struggling to provide the required data in a timely manner, and asked how this is being mitigated. Mrs K Williams explained that this is being monitored and if required it can be escalated using the new employer escalation process. The team is also liaising with the employer to help mitigate potential risks, including introducing ELT to the employer to provide support and help resolve issues.

Cllr Wedlake asked how the Fund's progress on the Dashboard project compares to the progress of other funds and whether there will be further evolution. Mrs K Williams noted that the Fund continues to make good progress, that data cleansing is underway, software provision is being looked into and it is hoped this will be able to move forward given the delegation that has been recommended for approval by Committee. The Fund has also volunteered to be a test site for the software provider. However there are not yet any Dashboards which have been approved and available to implement.

RESOLVED:

- a) The Committee considered and commented on the update;

- b) The Committee approved the proposed amendments to the Administration Strategy and Statement of Administering Authorises Discretionary Policies, and delegated any final minor changes; and
- c) The Committee approved the delegation to the Project Management Group of key decisions relating to the implementation of the National Pensions Dashboard requirements.

8. FUNDING AND INVESTMENT PERFORMANCE UPDATE

There were no comments on this item.

RESOLVED:

The Committee noted the update.

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

RESOLVED:

That the press and public be excluded for the following **two items** by virtue of exempt information under Paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

10. CLWYD PENSION FUND MANAGEMENT STRUCTURE REVIEW

The following Officers left the meeting for the duration of this item: Karen Williams (Pensions Administration Manager), David Bateman (Fund Accountant), Matt Grundy (Graduate Accountant), Ieuan Hughes (Graduate Investment Trainee), Morgan Nancarrow (Governance Administration Assistant).

At the request of the Committee, the Head of Clwyd Pension Fund also left the room for part of this item.

The Committee discussed this item of the Agenda.

RESOLVED:

The Committee approved the proposed changes to the Pension Fund Officers' structure, which incorporates a new management structure and increased governance support for the Fund, and requested further investigations to ensure appropriate levels of pay to reduce the risk of loss of staff.

11. WALES PENSION PARTNERSHIP ANNUAL UPDATE

This item of the agenda was presented and discussed.

RESOLVED:

The Committee received and discussed the presentations from the WPP Operator and Investment Management Solutions Provider, and agreed that the Head of Clwyd Pension Fund will provide feedback to WPP.

12. FUTURE MEETINGS

The Chairman asked the Committee to note the following future Committee meetings:

- 2.00 pm on Wednesday 11 September 2024
- 9.30 am on Wednesday 27 November 2024
- 9.30 am on Wednesday 19 February 2025
- 9.30 am on Wednesday 19 March 2025
- 9.30 am on Wednesday 18 June 2025

RESOLVED:

The Committee noted the upcoming Committee dates.

The Chairman noted that this was the Deputy Head of Clwyd Pension Fund’s last Committee meeting before her retirement. The Committee thanked Mrs Fielder for all of her work over the past 25 years and wished her well in the future. Mr Latham, Mr Hibbert, Cllr Hughes and Cllr Palmer added personal messages to Mrs Fielder.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 11 September. The meeting finished at 11:50am.

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Chairman

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 11 September 2024
Report Subject	Clwyd Pension Fund Annual Report and Accounts 2023/24
Report Author	Pension Fund Accountant, Clwyd Pension Fund

EXECUTIVE SUMMARY

LGPS Regulations require the Clwyd Pension Fund (the Fund) to publish an Annual Report before 1 December 2024 and set out what must be included. CIPFA, SAB and MHCLG guidance provides further advice to funds on the content of the report.

The draft Annual Report for 2023/24 is attached for consideration at Appendix 1 and includes the Fund's draft Statement of Accounts.

Attached as Appendix 2 is a response to the Audit Enquiries Letter for 2023/24 from Audit Wales and the Committee are asked to note the response.

The Fund's draft accounts have been submitted to Audit Wales and have been reviewed by Flintshire County Council's Section 151 Officer.

At this stage the Committee are asked to consider the draft Annual Report, which is currently with Audit Wales. In November the Committee will be asked to approve the final audited Annual Report.

RECOMMENDATIONS

1	That the Committee consider the Fund's draft Annual Report for 2023/24, including the draft Statement of Accounts.
2	That the Committee note the Audit Enquiries letter and response.

REPORT DETAILS

1.00	Annual Report and Audit Requirements
1.01	<p>Annual Report</p> <p>The Annual Report meets the requirement under Regulation 57 of the Local Government Pension Scheme (LGPS) Regulations 2013 which require Administering Authorities of LGPS pension funds to produce an annual report. In Wales this includes the year-end financial statements which, unlike in England, are not required to be included as part of the administering authorities' own statements.</p> <p>The Annual Report has been written in accordance with the Regulations and guidance, most notably the new guidance issued by SAB, CIPFA and MHCLG in April 2024, after the end of the 2023/24 financial year. The guidance specifies that funds should use their best endeavours to comply in the 2023/24 scheme year, and this has been followed wherever possible in the preparation of the report. Where this has not been possible, the 2019 CIPFA guidance has been followed and the Fund continues to aim for full compliance with the new guidance in 2025.</p> <p>The guidance aims to ensure annual reports are published in a consistent manner across the LGPS, funds should follow the ordering, structure and terminology used in this guidance when setting out individual fund reports.</p> <p>The report covers the activities of the Fund during 2023/24. The Fund has maintained a position of full funding and has continued to operate in a secure and efficient way, with the needs of members and employers being met effectively.</p> <p>On page 3 of the Annual Report is a summary by the Head of the Pension Fund which identifies key issues relating to the activity of the Fund during 2023/24. The summary is supported by sections including information from the Fund's advisers and senior officers. These are:</p> <ul style="list-style-type: none">- On the overall Fund management,- On the governance and training of Committee and Board members, and risk management,- From the Fund's Independent Advisor,- From the Pension Board,- On the Fund's financial activity,- From the Fund's actuary- From the Fund's investment consultants,- On the administration of the Fund. <p>In addition, the Fund's Statement of Accounts and Annual Governance Statement are included in the Annual Report.</p> <p>Key features of the Annual Report include information or commentary on:</p> <p>Governance</p> <ul style="list-style-type: none">- The Fund's compliance against the Pension Regulator's new General Code of Practice.

	<ul style="list-style-type: none"> - Succession planning for the retirement of the Deputy Head of the Fund. - Completion of the initial activities underpinning the Fund's Cyber Security Strategy and Business Continuity plan. <p>Funding and Investments</p> <ul style="list-style-type: none"> - Maintaining a fully funded position despite a challenging environment, and achieving the 110% funding trigger and subsequently de-risking. - A review of the Investment Strategy and continuing focus on responsible and sustainable investments. <p>Administration and Communication</p> <ul style="list-style-type: none"> - Successful implementation of the new Administration Team structure. - Continuing work to implement the Communications Strategy. - Maintaining a high level of administration performance, alongside progressing key projects relating to regulatory changes such as McCloud and the National Pensions Dashboard. <p>The Annual Report includes statutory and best practice policies and statements. Following the new guidance, these are accessed by web-links within the report. Other non-statutory information relating to the report, which is all available on the Fund's website, are also signposted in the Annual Report.</p>
1.02	<p>Consideration, Audit and Approval of the Annual Report</p> <p>The Flintshire County Council Constitution states that the Clwyd Pension Fund Committee is responsible for approving the Fund's Annual Report including the Fund's financial statements. In addition, the new guidance requires the annual report to be formally reviewed by those charged with the Fund's governance and authorised by the Chair of the Clwyd Pension Fund Committee and Head of Clwyd Pension Fund.</p> <p>In relation to the approval of the draft and audited Statement of Accounts, this is a statutory responsibility of the Section 151 Officer.</p> <p>The Annual Report is provided in draft format for Committee consideration and remains subject to audit. Colleagues from Audit Wales have indicated that the audit is likely to conclude during September. The final version of the report will also be updated, where appropriate, to meet accessibility requirements.</p> <p>The Fund is required to have an audited Annual Report published before 1 December. The Committee will be asked to approve the audited Annual Report and Accounts at their November meeting, and any changes to the draft will be reported at that meeting.</p> <p>Attached at Appendix 2 is the Audit Enquiries Letter for 2023/24 from Audit Wales along with a response from the Chair of this Committee and Section 151 Officer. The receipt of this letter is normal practice and is part of Audit Wales' overall approach to its audit of the accounts. The Committee are asked to note the response.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The proposed audit fee of £49,693 for Clwyd Pension Fund was included in the Audit Wales Plan which was presented to Committee in June.

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

4.00	RISK MANAGEMENT
4.01	The Annual Report and external audit both review and identify whether there are any risks that are not being managed by the Fund. These include strategic, operational, and financial risks. In addition the Fund's risk register includes the risk of ineffective oversight by internal or external audit (governance risk number 8) which is currently on target.
4.02	The external audit of the accounts will specifically consider financial risks and how well the Fund is managing those risks.
4.03	All audit work is carried out on a risk-based approach which is covered in detail within the Audit Wales's reports.

5.00	APPENDICES
5.01	Appendix 1 – Draft Annual Report 2023/24 Appendix 2 – Audit Enquiries letter 2023/24

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> Report to Pension Fund Committee – Audit Wales External Audit Plan (June 2024) <p>Contact Officer: David Bateman, Pension Fund Accountant, Clwyd Pension Fund Telephone: 01352 704178 E-mail: David.Bateman@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) 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.</p> <p>(b) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region</p>

and employees of other employers with links to local government in the region

(c) **CIPFA – Chartered Institute of Public Finance and Accountancy** – professional institute for accountants working in the field of public services

(d) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.

(e) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation. (Previously DLUHC – Department for Levelling Up Housing and Communities)

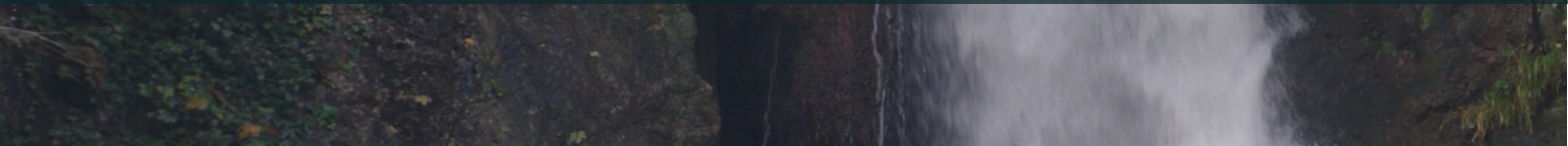
(f) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of

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Clwyd Pension Fund Annual Report 2023/2024

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For best practice documents, please go to:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

- Business Plan
- Administration Strategy
- Breaches Policy
- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Anti-Fraud and Corruption Policy
- Equality, Diversity and Inclusion Policy

Introduction to the Clwyd Pension Fund Annual Report 2023/2024

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2023/2024.

The report covers in detail the activities of the Fund during 2023/2024. The Fund has continued to operate in a secure and efficient way, and we have continued to meet the needs and expectations of our members and employers.

After the challenges that emerged from ongoing market instability in 2022/2023, whilst external market factors still remain, there has been a lower level of volatility during the year and I am pleased to confirm that the risk management and governance frameworks established by the Fund have ensured the Fund has remained resilient to these external factors and therefore the fully funded position has been maintained.

We will continue to seek to consolidate and build on this position and preparatory work will take place towards the end of this year in advance of the Actuary's triennial valuation assessment as at 31 March 2025. It remains to be seen what changes in the sector will emerge following the General Election in July 2024 but I'm confident the Fund is in a strong position to navigate the challenges that lie ahead.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication including my predecessor Cllr Ted Palmer, former Chair of the Pension Fund Committee, and Debbie Fielder the former Deputy Head of the Fund, who have left their roles since the year-end but who have both served the Fund for many years.

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

Cllr Dan Rose

Chair of the Clwyd Pension Fund Committee

Summary by the Head of Clwyd Pension Fund

This section of the report highlights some of the main elements of this year's Annual Report and explains how to use the report to find more information about the activities and performance of the Fund during the year, along with some of the challenges and risks which the Fund faces moving forward.

Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund and delegates responsibility for running the Fund to the Pension Fund Committee. The work of the Committee is supported by a Pensions Advisory Panel. In addition, a Pension Board, chaired by the Fund's Independent Advisor, assists the Committee in ensuring compliance with legislation and the Pension Regulator's requirements, in addition to ensuring efficient governance and administration of the Fund. The Committee, Advisory Panel and Pension Board have again continued to function effectively during 2023/2024 through virtual and hybrid meetings.

The Fund is required to produce an Annual Governance Statement and this is found in Section 7 of this report.

The Fund's Knowledge and Skills Policy ensures that those charged with governance including senior officers of the Fund have the appropriate knowledge and skills to ensure the Fund is appropriately managed. Attendance at training is recorded and monitored to ensure that the training is fully effective.

The risk landscape within which the Fund operates is complex and the risks that the Fund face are often a result of events outside the Fund's control. The Fund has a well-established and effective approach to risk management, including maintaining a risk register, which is regularly monitored and reported to those charged with governance.

Details of the overall fund management, governance and training including the Independent Advisor Report and the Pension Board Annual Report are found in Sections 1 and 2 of this report.

Funding

Against the backdrop of a higher interest rate environment as well as other global economic and political challenges, the Fund has maintained its financial health over the year due to the Risk Management Framework which is designed to provide stability, and the underlying governance framework which enables quick, effective decisions to be made.

In anticipation of the improving funding level, the Fund developed a formal protocol to de-risk on reaching its 110% funding level trigger. As at 29 February 2024, this trigger was breached and the agreed protocol was followed in late March. This reduced the level of investment risk with the intention to provide future certainty and stability around future employer contributions. As at 31 March 2024, the estimated funding level was 109%.

Future challenges and considerations with respect to funding include:

- Maintaining the strong funding level position and managing the sustainability/affordability of contributions for employers,
- Continuing to consider the impact of climate change on the long-term funding, building on the initial analyses undertaken as part of the 2022 valuation and the changes implemented under the Fund's Responsible Investment policy.

The funding level will continue to be monitored as part of the governance and oversight functions in place, these challenges will continue to be considered later in 2024 when the interim valuation is carried out ahead of the 2025 triennial valuation.

More details can be found in the Funding and Flightpath Review from the Actuary, which is in Section 5 (Appendix 4) to this report.

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement (ISS) which was reviewed and updated during the 2023/2024 year to reflect changing market conditions and liquidity requirements. The Fund's investment objectives reflect the Fund's desire to incorporate sustainability and act as a Responsible Investor, and the Responsible Investment Policy of the ISS was also reviewed during the year and updated including the addition of an investment exclusions policy.

Market conditions during 2023/2024 were more positive than in recent years, heavily influenced by inflation and central bank policies. In the year to 31 March 2024, the Fund saw investment returns of +9.8%. Investment performance was positive in most asset classes, although some performed below the benchmark, including Equities (+11.5%) and Private Markets (+1.9%). The latter was impacted by underperformance in most subclasses including negative return from Property investments through WPP (-13.9%). However, underperformance was offset by overperformance in other classes including the WPP Multi-Asset Credit (+10.2%) and the Tactical Asset Allocation (+8.6%).

Following challenging volatility affecting performance in recent years, the positive performance in 2023/24 has brought the average longer-term performance broadly in line with the benchmark. Overall investment performance in the three years to 31 March 2024 was +5.2% per annum, compared to a benchmark of +5.3% per annum.

The Fund continues to support the pooling of LGPS assets and has committed to using the WPP private markets sub-funds from April 2023. Following submission of its second Stewardship Report, the Fund was successful in retaining signatory status to the Financial Reporting Council's UK Stewardship Code.

The Fund has continued to progress significantly on work relating to Responsible Investment, with progress made across all of the Strategic Responsible Investment Priorities in the Investment Strategy Statement. Work continues towards the aim to achieve net-zero carbon emissions from its portfolio by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund continues to deploy capital into sustainable and local investments.

During the period, the Fund fully disinvested from the WPP Global Equity and Emerging Market Equity mandates, and proceeds from both trades were invested within the new WPP Sustainable Active Equity Fund. Additionally, the Fund continues to deploy capital into sustainable private market investments with a focus on impact and the local area, including engagement with The Good Economy to assess the social impact of the Fund's UK Private Markets investments.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is in Section 5 (Appendix 3) to this report. The current Investment Strategy Statement can be found in Section 7.

Administration

The Administration and Communication Strategies frame the work of the Fund's Administration Team. The Administration Strategy was last updated in March 2021, consolidating information previously held in employer Service Level Agreements. A further review was carried out in early 2024/2025 and employers are being consulted on the changes. The Communications Strategy, approved in June 2022, reflects advances in technology to aid communications with stakeholders.

On a day-to-day basis, the Administration Team provides a service covering the calculation and payment of benefits, transfers in and out of the Fund, the maintenance of individual members' records and communications and advice to members and employers. During the year, around 29,000 cases involving all activities across the team were completed.

In addition to this work, the team has been working on several projects designed to improve the quality of the service provided to members and employers:

- Preparation for the National Pensions Dashboard, including developing a Project Team to take on this work along with other projects to allow the Operations Team to focus on member driven events. The Project Team launched in June 2024.
- Continued progress on collating, validating, and uploading data from employers as part of the McCloud Programme.
- Implementation of changes to CARE revaluation and taxation changes.
- Review of content and formatting of the Clwyd Pension Fund website, and continued implementation of the Communications Strategy including the development of videos to improve communications with both scheme members and employers.
- Implementation of the revised Administration Team structure

The Fund continues to monitor performance using KPIs including the six new KPIs introduced during 2022/23. New requirements for KPI reporting have either been included within this 2023/2024 annual report or are now being monitored for inclusion in 2024/2025 (see further comment below regarding updated Annual Report Guidance).

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

- Moving from data collation/verification to implementing the McCloud remedy as further guidance / software changes emerge in line with the new Regulations.
- Preparation of member data for the interim valuation during 2024/2025, and the next formal triennial actuarial valuation in 2025/2026.
- Responding to national developments including Survivor Benefit changes, the Cost Management Process, Exit Payment reform and the proposal to increase minimum retirement age from April 2028.

Further details of the administration of the Fund can be found in the Administration Report which is Section 6 of this report.

Finance

The total net assets of the Fund (excluding cash) at 31 March 2024 were £2,356m. Total contributions for the year from members and employees together with transfers into the Fund were £87m, with benefits and other payments to members £98m. Total management expenses paid by the Fund were £33m. Investment income was £35m and the market value of the investments increased by £193m. Overall, the total net assets of the Fund increased over 2023/2024. The Fund is committed to continuing to support the Wales Pension Partnership with the intention of saving costs and improving returns on investments, and this will continue in 2024/2025.

Over 2023/2024, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2023/2024 was lower than actual costs. Key variances against the budget during the year were underspends on actuarial fees, IT, and employee costs due to vacant positions.

Further details of the Fund's finances can be found in the Financial Report in Section 3 of this report and the Fund's Statement of Accounts in Section 4.

Other information

Four key strategy statements also form part of this report. The Governance and Compliance Statement, the Funding Strategy Statement, the Investment Strategy Statement and the Communication Strategy Statement. Information on accessing these statements is set out in Section 7 of this report.

These and the following documents may also be found on the Fund's website at:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

- Business Plan
- Administration Strategy
- Breaches Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy

Overall, despite another challenging year, the funding position and the service provided to our members and employers have been maintained. Whilst there is a potential change to the LGPS following the election of the new Government, the Fund remains in a strong position on all fronts and we will seek to continue to both consolidate and improve in 2024/2025 in line with the Fund's Mission Statement.

In April 2024, the Department for Levelling Up, Housing and Communities (DLUHC, now the Ministry for Housing, Communities and Local Government or MHCLG) published its Guidance for Local Government Pension Scheme Funds on Preparing the Pension Fund Annual Report, which was produced jointly with the Scheme Advisory Board (SAB) and Chartered Institute for Finance and Accountancy (CIPFA). The Guidance stipulates that for 2023/2024 annual reports, funds should use their best endeavours to comply fully, but exercise judgment where doing so would require disproportionate effort or cost.

For this 2023/2024 report, the Fund has used its best endeavours to comply with the new guidance wherever possible. This report has been prepared under a limited timescale, and this has meant that there are a few areas where the Fund has not been able to fully comply with the new guidance. The Fund will continue to work toward full compliance in future years.

Philip Latham

Head of Clwyd Pension Fund

Clwyd Pension Fund Mission Statement

We will be known as forward thinking, responsive, pro-active and professional providing excellent customer focused, reputable and credible service to all our customers.

We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.

We will work effectively with partners, being solution focused with a can-do approach.

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Section 1: Overall Fund Management

Introduction

This report covers the way in which Clwyd Pension Fund (the Fund) is governed, which includes how the knowledge and skills requirements of those charged with the governance and operations of the Fund have been met. It also details the key partners of the Fund and how the Fund approaches risk management.

The Fund has a number of governance related policies and strategies which outline the strategic governance objectives in these areas and how they will be managed and delivered. These are:

- Governance Policy and Compliance Statement
- Risk Policy
- Conflicts of Interest Policy
- Knowledge and Skills Policy
- Procedure for Recording and Reporting Breaches of the Law
- Anti-Fraud and Corruption Policy
- Cyber Strategy
- Communication Strategy Statement
- Equality, Diversity and Inclusion Policy

Another key document is the Fund's three-year Business Plan. The version relating to 2023/2024 to 2025/2026 was approved at the Pension Fund Committee in March 2023.

The latest versions of these documents can be found in the Strategies and Policies section of the Fund's website:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

Scheme Management and Advisors

Clwyd Pension Fund Senior Officers and Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund (Responsible Officer)	philip.latham@flintshire.gov.uk
Debbie Fielder	Deputy Head of Clwyd Pension Fund (to July 2024)	N/A
Karen Williams	Pensions Administration Manager	karen.williams@flintshire.gov.uk
David Bateman	Pension Fund Accountant	david.bateman@flintshire.gov.uk
Gary Ferguson	Corporate Finance Manager (Section 151 Officer)	gary.ferguson@flintshire.gov.uk

Name	Post	Contact details
Pensions Administration	pensions@flintshire.gov.uk peniynau@siryfflint.gov.uk	English: (01352) 702940 / 702950 Welsh: (01352) 702875
Pensions Finance	pensionsinvestments@flintshire.gov.uk buddsoddiadaupensiwn@siryfflint.gov.uk	English: (01352) 702812 Welsh: (01352) 702259

Investment Managers

The Fund has mandates with two investment managers as well the WPP Investment Solutions Provider, Russell Investments, as shown in the table below.

Investment Managers	Address
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London
Russell Investments (WPP)	Rex House, 10 Regent Street, London

The Fund has a number of investments with managers investing in Property, Private Equity, Private Debt, Infrastructure, Timber & Agriculture which are listed in the Investment Policy & Performance section of this report (Appendix 3).

Other Key Partners

Service	Address
Custodian: Bank of New York Mellon	160 Queen Victoria Street, London
Actuary and Benefit Consultants: Mercer Ltd	4 St Paul's Square, Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	1 Tower Place West, Tower Place, London
Independent Advisor: Aon Solutions UK Ltd	122 Leadenhall Street, London
Wales Pension Partnership (WPP)	Wales Pension Partnership, Treasury & Pension Investments Section, County Hall, Carmarthen
Waystone Management UK Ltd (WPP Operator)	6th Floor, 65 Gresham Street, London
External Auditors: Audit Wales	1 Capital Quarter, Tyndall Street, Cardiff
Bank: National Westminster Bank plc	48 High Street, Mold
AVC Provider: Prudential	121 King's Road, Reading
AVC Provider: Utmost Life & Pensions	Utmost Life and Pensions Services Ltd, Wallton Steet, Aylesbury
Legal Advisors:	This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the LGPS National Legal Services Framework .

Risk Management

Background

Risk management is embedded in the governance of the Fund. The Committee has approved a Risk Management Policy and a risk register is maintained. Changes to the level of risk are reported at each Committee.

Given that many pension fund risks are outside the Fund's control, risk management focuses on measuring the current risk against the Fund's agreed target risk (which may still be relatively high), summarising the existing controls and identifying further controls that can be put in place. This risk management process is integral to identifying actions that are then included in the Fund's Business Plan.

Further details of the risks associated with the use of financial instruments are included within note 17 of the Accounts (Section 4).

Significant Risks

The next few years will continue to be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the risk register. In late 2023/2024, the Fund carried out a review of the Risk Management Policy, the outcomes of which have been implemented in 2024/2025. This has affected the format of the risk register and therefore prompted a complete reassessment of all risks. As part of the new policy, the risk register will be reviewed on a monthly basis and continue to be reported on at each Committee as circumstances change.

The risks shown are those risks which, as at March 2024, were identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we were not meeting the target risk exposure. These are shown as they were presented in the risk register in March 2024, according to the previous Risk Management Policy which was in place at the time. Future reporting will be presented in the new format per the updated Risk Management Policy.

Key

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

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	Target Risk Status	Further Action
<p>Governance (particularly at PFC) is poor including due to:</p> <ul style="list-style-type: none"> • short appointments • poor knowledge and advice • poor engagement /preparation / commitment • poor oversight 	Inappropriate or no decisions are made	Amber	Green	<ol style="list-style-type: none"> 1: Agree training plan for 2024/2025 2: Review approach to PFC meetings and papers issued to members
<p>Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers</p>	Our legal fiduciary responsibilities are not met	Amber	Yellow	<ol style="list-style-type: none"> 1: Ensure WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local/Welsh) 2: Ongoing monitoring of FCC Climate Committee 3: Terms of Reference being developed for all AP subgroups
<p>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.</p>	Services are not being delivered to meet legal and policy objectives	Amber	Green	<ol style="list-style-type: none"> 1: Ongoing consideration of business continuity including succession planning 2: Agree and implement plan for retirement of current Deputy, including a review of the senior management team structure.

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	Target Risk Status	Further Action
<ul style="list-style-type: none"> 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, for example, 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 	<p>Investment targets are not achieved therefore materially reducing solvency / increasing contributions</p>	<p>Red</p>	<p>Amber</p>	<ol style="list-style-type: none"> Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP Ongoing consideration of officer succession planning, including maintaining local investment knowledge Interim Investment Strategy Review

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Amber	Yellow	1: Continue to monitor market conditions and respond through the strategy review 2: In conjunction with Risks 3 and 5. Overall market conditions are monitored continuously
<ul style="list-style-type: none"> 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

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	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, succession planning 2: Ongoing training of recent recruits
Employers: <ul style="list-style-type: none"> • don't understand or meet their responsibilities • don't have access to efficient data transmission • don't allocate 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
Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	Scheme members do not understand or appreciate their benefits	Yellow	Green	1: Implement new communications strategy in line with business plan 2: Recruit to vacant Comms Officer position and assess any gap in skills post recruitment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	Target Risk Status	Further Action
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud, Pension Dashboard and potential exit cap)	High administration costs and/or errors	Yellow	Green	1: Appoint pension dashboard ISP in line with new national dashboard timetable 2: Develop and test all processes for national pension dashboard readiness
System failure or unavailability, including as a result of cybercrime or resourcing constraints	Service provision is interrupted	Amber	Yellow	1: Develop updated business continuity plan for CPF 2: Implement remaining elements of cyber strategy

Section 2: Governance and Training

Background

To carry out the responsibilities relating to the management of Clwyd Pension Fund, Flintshire County Council, as Administering Authority to the Fund, has established a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (the Panel). The Committee includes both scheme member and employer representatives who have full voting rights. In performing its role the Committee takes advice from the Advisory Panel (a group of officers and professional advisors). The Committee has a scheme of delegation to officers to ensure efficient management and timely decision making on urgent matters between meetings.

It receives monitoring reports at each quarterly Committee against the Governance, Funding, Investment, Administration and Communication Strategies and progress against the Fund's three-year Business Plan. The agenda, reports and minutes for each Committee meeting are available on the Flintshire County Council website:

<https://www.flintshire.gov.uk/>

The membership of both the Committee and the Advisory Panel are shown below.

Flintshire County Council has also established the Clwyd Pension Board (the Board). The role of the Board as defined in regulation is to assist in:

- securing compliance with legislation and the Pensions Regulator's requirements and
- ensuring effective and efficient governance and administration of the Fund.

The minutes of the Board's meetings are included in the Committee agenda papers and Board members often attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

Further information about the Board can be found on the Fund's website:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/local-pension-board>

A chart showing the Fund's Governance Structure in full is included as part of the Annual Governance Statement in Section 7.

Clwyd Pension Fund Committee

Committee Members		
Flintshire County Council	Cllr Ted Palmer (Chair)	Chair to May 2024
Flintshire County Council	Cllr Dan Rose (Chair)	Appointed Chair May 2024
Flintshire County Council	Cllr Dave Hughes (Vice Chair)	Vice Chair to June 2024
Flintshire County Council	Cllr Jason Shallcross (Vice Chair)	Appointed Vice Chair June 2024
Flintshire County Council	Cllr Antony Wren	

Committee Members		
Flintshire County Council	Cllr Sam Swash	To May 2024
Denbighshire County Council	Cllr Gwyneth Ellis	
Wrexham County Borough Council	Cllr Anthony Wedlake	
Scheduled Body Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

Advisory Panel

Panel Members	
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson
Corporate Manager, People and Organisational Development (FCC)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer)	Steve Turner
Fund Actuary (Mercer)	Paul Middleman
Independent Advisor (Aon) (to March 2024)	Karen McWilliam
Independent Advisor (Aon) (from March 2024 to September 2024)	Alison Murray

Clwyd Pension Fund Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representative	Steve Gadd (to July 2023)	✓
Employer Representative	Richard Weigh (from November 2023)	✓
Employer Representative	Steve Jackson	✓
Scheme Member Representative	Phil Pumford (to March 2024)	✓
Scheme Member Representative	Vacant (from March 2024)	✓
Scheme Member Representative	Elaine Williams	✓

Knowledge and Skills

Clwyd Pension Fund Knowledge and Skills Policy

There is a growing need for LGPS Pension Committee members, Pension Board members and officers to have the knowledge and skills to ensure LGPS funds are appropriately managed, and decisions around their management are robust and well based. This need is being emphasised in codes of practice and guidance including by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator (TPR) (namely the

General Code of Practice which became effective in March 2024) as well as various elements of legislation.

The Fund has a well-developed Knowledge and Skills Policy which was updated in September 2021 to reflect the latest CIPFA Code of Practice and guidance. It details the knowledge, skills and training strategy for members of the Committee, the Board and senior officers responsible for the management of the Fund. It has been created to provide a formal framework and greater transparency on how the relevant knowledge and skills are acquired and retained in accordance with the Fund's aspirations and national requirements. It aids existing and future Committee members, Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Fund is managed by individuals who have the appropriate levels of knowledge and skills. The Fund expects Pension Fund Committee and Local Pension Board members to undertake the relevant training made available by the Fund during the year in order to carry out their roles effectively. Details of how to access the Knowledge and Skills Policy are included in the contents page of this Annual Report.

Training Performance 2023/2024

The Fund has a Training Plan which is provided to both Committee and Board Members and details all the training to be covered during the year. Following several years of virtual-only internal training, in 2023/2024 the Fund has resumed offering face-to-face training and began exploring methods for providing hybrid training where virtual attendance is also possible. Some external conferences were held face-to-face or in hybrid format, and many providers continued to offer webinar training events which some of the Committee, Board and Officers chose to attend.

In order to monitor the knowledge and skills and identify whether we are meeting the objectives of the Fund's Knowledge and Skills Policy, we monitor and report on attendance at training events based on the following:

- Individual Training Needs: ensuring a training needs analysis is carried out at least once every two years which drives the content of the Fund's Training Plan.
- Hot Topic Training: targeting attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focused at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- General Awareness: each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.
- Induction training: ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2023/2024 was as follows:

- a) Individual Training Needs: A training needs analysis exercise was carried out for the Committee during the autumn of 2023. This is a biennial exercise, however was delayed due to the Welsh local authority elections in May 2022 which impacted Committee membership. The training needs questionnaire was not completed by all Committee members, leading Officers to seek verbal feedback as part of an internal training session. A further analysis for the Pension Board took place in the early months of 2024. These exercises have informed the training plan for 2024/2025 and 2025/26.
- b) Hot Topic Training: Of the designated hot topic training sessions, attendance has been as follows:

Course	Committee		Board		Senior Officers	
	No	% attendance	No	% attendance	No	% attendance
Governance of Investments	7	78%	3	60%	4	80%
Tactical Asset Allocation and Responsible Investment	9	100%	3	60%	3	60%
Divestment Framework	8	89%	1	50%*†	3	60%
Investment Matters and Training Plan	8	89%	3	60%	3	60%
TPR General Code	7	78%	3	75%*	3	60%

*Reflects only 4 members in post at the time of the training session.

†Excluding the Alternate Pension Board Chair who attended in the Chair's absence.

The Committee consistently achieved the target attendance. The Fund took measures to record sessions for those unable to attend in order that they could complete the training at a later date and continues to work on developing this facility. By late 2023/2024, the Fund had established a precedent for hybrid format training in order to improve accessibility for those unable to attend in person, as well as better supporting the recording of training. There were 5 Hot Topic sessions in 2023/2024, the same as in 2022/23, however the duration of training was typically longer in 2023/2024.

- c) General Awareness: Out of the 13 combined Committee members and Board members (excluding those two Board members who were in post for less than six months of 2023/2024) 8 (62%) attended at least one day of general awareness training in accordance with the policy. This is compared to 2022/23 when 8 (57%) completed at least one day. The figures do not include one session attended by the Pension Board Chair's alternate in the absence of the Chair.

Of the five senior officers, 3 (60%) completed at least one day of general awareness training, a decline from 4 (80%) in 2022/23.

- d) Induction Training: There were no new Committee members incoming during 2023/2024, and one new Pension Board member. Pre-recorded induction sessions were provided for the new Board member, with the aim for induction training to be completed in early 2024/2025.

The following table details all the training provided to members of the Committee during 2023/2024 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meetings attended and relevant training sessions, conferences and seminars. Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board Annual Report.

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Date	Event	Committee Members								Senior Officers				
		Clr T Palmer	Clr A Wren	Clr A Wedlake	Clr G Ellis	Clr J Shallcross	Clr S Swash	Clr D Hughes	Clr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder
	Meeting													
21 Jun 2023	Committee Meeting June 2023	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓
18 Aug 2023	Pension Board Mini Meeting August 2023											✓	✓	✓
30 Aug 2023	Committee Meeting Aug 2023	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
18 Oct 2023	Pension Board Meeting October 2023											✓	✓	✓
29 Nov 2023	Committee Meeting Nov 2023	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
5 Dec 2023	Pension Board Meeting December 2023											✓		✓
6 Dec 2023	CPF Annual Employer Update					✓		✓			✓	✓		✓
28 Feb 2024	Committee Meeting Feb 2024	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
20 Mar 2024	Committee Meeting March 2024	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓
	Hot Topic													
26 Apr 2023	CPF Training on Governance of Investments	✓	✓	✓	✓			✓	✓	✓	✓		✓	✓
3 May 2023	CPF Tactical Asset Allocation and Responsible Investment	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
2 Aug 2023	CPF Divestment Framework	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
28 Feb 2024	Investment Matters and Training Plan	✓	✓		✓	✓	✓	✓	✓			✓	✓	✓
20 Mar 2024	TPR General Code	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓
	General Awareness													
26 Jun 2023	PLSA Local Authority Conference											✓	✓	
11 Jul 2023	Scheme Advisory Board - the Board's Code of Transparency (CoT)								✓				✓	
7 Sep 2023	LGC Investments and Pensions Summit	✓						✓	✓			✓	✓	
21 Nov 2023	LGPS Pension Managers Conference 2023													✓

6 Dec 2023	LAPFF Annual Conference 2023								✓				
18 Jan 2024	LGPS Governance conference				✓				✓		✓		
14 Mar 2024	LGC Investment Seminar 2024	✓	✓		✓		✓		✓		✓	✓	
Other Wales Pension Partnership Training													
8 Jun 2023	WPP - Private markets and levelling up/development opportunities	✓	✓		✓		✓		✓			✓	
21 Sep 2023	WPP - Q2 - Responsible Investment		✓		✓	✓		✓	✓	✓		✓	✓
13 Dec 2023	WPP - Q3 - Reporting				✓	✓			✓	✓		✓	✓
5 Mar 2024	WPP - Q4 - Market Understanding & Regulatory Requirements	✓				✓			✓			✓	✓

Not all of the above events have been made available to all Members and senior officers, cells filled in grey indicate where courses were not made available or where attendance at events was not possible.

Appendix 1: Independent Adviser's Report

At a glance...

The high level of activity for the Fund continued unabated in 2023/2024, with key areas of focus (in addition to Business as Usual) including:

- Developing our decision-making process for taking appropriate action when the funding level exceeds the 110% funding trigger, which was then put into practice during the year when the trigger level was reached,
- Ensuring conflicts of interest are appropriately considered and managed in relation to local/impact investments made by the Fund (i.e. outside of WPP),
- Ongoing review of the Fund's approach to RI and climate change in particular,
- Progressing various national initiatives and adapting workplans as required in response to legislative delays,
- Developing and implementing a revised structure for the Administration/Operations team,
- Succession planning for the expected retirement of the Deputy Head of the Fund.

The governance and risk management structure of the Fund has proved very effective and I am particularly pleased to report the positive progress made over the year in the following areas:

- Agreeing an updated Responsible Investment Strategy and a plan to fully fund the WPP Sustainable Equity Fund allocation,
- Smooth and event-free implementation of the revised Administration Team structure,
- Assessing compliance with the Pension Regulator's (TPR's) new General Code of Practice,
- The transition of Cyber Security and Business Continuity to business as usual,
- Continuing to enhance the member and employer experience through implementation of the updated Communication Strategy and extension of the Employer Liaison Team and maintaining administration performance, despite increases in case numbers and work involved in key projects relating to regulatory changes.

Going forward I see no immediate let up in workloads for those involved in governance of the Fund, from ongoing projects which affect the Administration team (including McCloud and Dashboards) to the potential effect of new Regulations or guidance on investments and pooling, which will require careful governance; ongoing ESG issues, including a focus on nature-related investing; and implementing the Good Governance recommendations, assuming these are confirmed in guidance or Regulations in 2024/2025 as expected. An interim valuation is planned for Autumn 2024 and there is of course also a triennial valuation due as at 31 March 2025 which will require the Fund to strike the right balance between prudence and protecting the financial position of the Fund, and affordability of contributions for employers.

My role

I provide independent advice to the Clwyd Pension Fund (the Fund), predominantly on governance and administration matters. This includes reporting annually to stakeholders on whether the Administering Authority (Flintshire County Council) is managing all risks.

These risks relate to governance, investments, funding, administration and communication but I am not, nor am I required to be, an expert in all of these areas. In particular, the Fund has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I use my working knowledge in these areas (and close working relationship with the appointed advisers) to specifically advise on governance and risk management of funding and investments rather than on these areas themselves.

Effective Governance

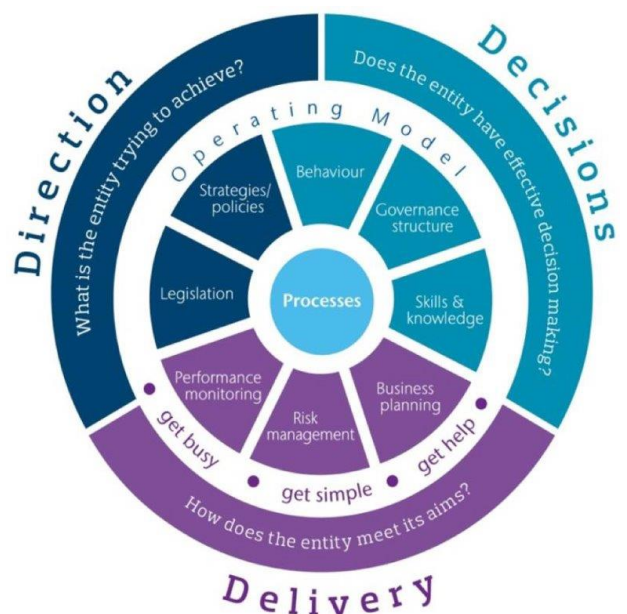
Key Benefits

Key benefits from having effective governance in place include:

- Robust risk management that can assist in avoiding issues arising or at least reducing their impact,
- Ensuring resources and time are appropriately focused,
- Timely decision making and implementation of change,
- Clarity for the Pension Fund Committee on how the Fund is being managed.

The approach I take in advising the Fund is to consider its approach to governance against the Aon governance framework:

- **Direction:** having clear strategies and policies that also meet legislative requirements is fundamental.
- **Delivery:** having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management, to ensure effective and efficient delivery.
- **Decisions:** having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.



I consider the key responsibilities for the management of the Fund in relation to each of these areas. In particular:

- the overall **governance** (i.e. management and decision making) of the Fund,
- ensuring an appropriate approach to **funding** the liabilities,
- the safeguarding and **investment** of assets,

- the **administration** of the scheme members' benefits. and
- **communications** with the Fund's stakeholders.

This report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2023/2024. It also touches on some developments after March 2024 and highlights some of the ongoing challenges the Fund faces.

Overall views

- The current **governance structure is well established and generally working as intended**. It allows decisions to be made urgently where required and reduces the risk of inadequate governance during challenging times. However, with greater emphasis on LGPS funds investing for impact and supporting local initiatives (and expected guidance on investments and pooling), I am very supportive of the review of the governance structure which forms part of the 2024/2025 Business Plan.
- **Attendance at Committee, Board and Advisory Panel** meetings during the year has continued to be very good. However, in recognition of the competing demands on Committee members' time, in particular, consideration is being given as to how best to manage the agenda and length of meeting packs for Committee meetings. I agree with views expressed by senior officers that reducing the size of the agenda and meeting packs could enhance the governance of the Fund if it facilitates more debate and discussion around key decisions.
- The **Pension Board** continues to play an important role in the governance of the Fund. The Board report (which can be found elsewhere in the Fund's annual report and accounts) summarises the work undertaken over the year, and demonstrates both the excellent partnership between the Board, Committee and Fund officers, and the benefits the Board brings to the overall management of the Fund.
- Those involved in the management of the Fund continue to demonstrate a strong understanding of potential **conflicts of interest**, and adherence to the Fund's Conflict of Interest Policy. I am not aware of any potential conflict situations that were not notified in accordance with the Fund's Policy.
- The **risk management framework** is embedded in the day-to-day management of the Fund. Risk management across all areas is considered regularly and forms a standard part of all Committee reports. The Fund's Risk Management Policy was updated in March 2024 to align with changes to the Council's risk management framework and the consistent focus on risk means those involved with the governance of the Fund have a good appreciation of the key risks. I also believe there is appropriate focus on developing and enhancing robust internal controls where practical.
- A wide range of **performance measures** are monitored, covering governance, administration, communications, investments and funding. I am very supportive of the 6 new administration KPI measures developed by the Fund over the year, taking the total to 13. I agree with Fund officers that these should increase transparency of the administration team's performance.
- The 2023/2024 to 2025/2026 **business plan** was approved in March 2023 and monitored throughout the year. Fund officers have done a tremendous job to deliver many of the projects and tasks in the plan, despite the uncertainties due to delays in many national

initiatives and additional items needing to be addressed, particularly relating to funding and investment, and the need for succession planning for the Deputy Head of the Fund.

In the sections which follow I set out below observations on specific developments during 2023/2024 under each of the key areas.

Governance

Key Achievements

- Ensuring conflicts of interest are appropriately identified and managed in relation to local/impact investments
- Review of the Fund's compliance against the Pension Regulator's new General Code of Practice
- Completion of the initial activities underpinning the Fund's Cyber Strategy and Business Continuity plan allowing this work to become day to day activity
- Development and approval of a new Fund-specific Equality, Diversity and Inclusion policy
- Succession planning for the retirement of the Deputy Head of the Fund

Progress against key areas in the Business Plan

Knowledge and skills

I am pleased to report that Committee members collectively met the Knowledge and Skills Policy objectives for attendance at essential training sessions. Other Knowledge and Skills objectives were not quite met, but over 38 days of training was completed by members of the Pension Fund Committee, Pension Board and senior officers, representing a material time commitment.

Following a Training Needs Analysis and discussion with Committee and Board members, essential training over the last few months of 2023/2024 was scheduled directly after Committee meetings, with recordings made available for those unable to attend. This approach also underpins the training plan for 2024/2025 and I believe this is a very positive step and should help support the Fund in meeting its Knowledge and Skills objectives going forward (noting Government's intention to require funds to develop and report against training plans for committee members).

Review of appointment of Board members

The two scheme employer representatives were due for review during the year:

- Steve Jackson has been reappointed to the Pension Board for two further years;
- Steve Gadd stepped down and has been replaced by Richard Weigh of Wrexham County Borough Council

More recently, Phil Pumford stepped down as the trade union appointed Scheme member representative. The Fund is currently working to fill this vacancy, in consultation with the joint trade unions.

Both Steve Gadd and Phil Pumford have been very valuable members of the Board and I would like to thank them for their contribution and wish them well for the future. I am pleased that Steve Jackson, (and of course Elaine Williams and Karen McWilliam as Independent Chair) have remained on the Board, ensuring the Fund retains their knowledge and experience.

Review against TPR's General Code of Practice

The Pensions Regulator's new General Code of Practice came into force on 28 March 2024, setting out TPR's expectations of how occupational pension schemes, including the LGPS, should be managed and the policies, practices and procedures that should be in place.

The Fund has undertaken a detailed review of the modules of the TPR General Code of Practice that apply to the LGPS as a legal requirement or good practice and produced an action plan to ensure compliance with the Code. This has taken a significant investment of Officers' time and I have been impressed with their commitment to achieving best practice in all areas of Fund management.

Business continuity and managing cyber risk

The Fund has continued to implement its **Cyber Strategy**, working collaboratively with Flintshire County Council to ensure an effective approach to managing cyber risk is in place. The Fund has implemented its incident response plan and finalised the provider testing schedule which has enabled cyber security activities to move to business as usual. Work has also been ongoing to implement the key elements of the Fund's **Business Continuity** Policy and its business continuity plan has now been finalised and fully integrated as business as usual.

Equality, Diversity and Inclusion Policy

The Fund developed its own Equality, Diversity and Inclusion (EDI) policy, taking into account the Council's requirements. The policy was approved by the Pension Fund Committee in February 2024 when the Committee also received training on the Pensions Regulator's requirements in relation to EDI and the wider regulatory context. The policy sets out what EDI means for the Fund and the steps the Fund will take to ensure EDI is embedded into the Fund's governance approach to enhance its decision-making and help ensure those who run the Fund are truly representative of its stakeholders. An EDI action plan is being developed and in future my annual report will comment on the progress the Fund has made against its EDI objectives.

Review of governance related policies

The Risk Management Policy was reviewed in March 2024.

The recommendations from the Good Governance review have not yet been implemented so this (alongside ongoing activity related to McCloud and Dashboards) has been carried forward into the 2024/2025 business plan. I believe the Fund is well placed in all these areas.

Looking to the future

Key governance-related tasks the Fund expects to address during 2024/2025 include:

- Continuing work on **succession planning** in light of the planned retirement of the Deputy Head of the Fund, including a review of the structure of the senior management team.
- Reviewing the Fund's **governance structure**, including sub-groups of the Advisory Panel, to ensure the remit, roles and responsibilities are appropriate in light of the evolving landscape in which the Fund operates.
- Completion of the action plan developed to ensure compliance with **the Pension Regulator's new General Code of Practice**. The Fund has already started to prioritise the most urgent areas and I believe it is in a strong position.
- Implementing any **changes in regulations or guidance** such as those flowing from the Good Governance review, changes relating to investments and pooling (which will have governance implications), fully implementing new annual reporting requirements and maintaining awareness of national policy initiatives, noting there appears to be a degree of political consensus that it is worth considering reducing the number of funds in England and Wales via fund merger.
- **Reviewing** policies due for review in 2024/2025: Business Continuity, Conflicts of Interest, Knowledge and Skills, Recording and Reporting Breaches and Cyber strategy, ensuring these take into account the requirements of the General Code of Practice and other developments since they were last reviewed.
- Reviewing/tendering key supplier contracts and ensuring the Fund adheres to recent Procurement Act changes.
- Appointment of the two **scheme member appointments to the Pensions Board**, given the resignation of Phil Pumford as trade union member representative and the end of the five year term of Elaine Williams as non-trade union member representative in February 2025.

Funding and Investments (including accounting and financial management)

Key Achievements

- Updating the strategic asset allocation to de-risk the Fund's investments when the 110% funding level trigger was reached and to support the Fund's liquidity requirements
- Finalising investments in the sustainable equity fund in WPP (through divesting from the Global Equity Opportunities Fund and Emerging Market Equity Fund)
- Successfully retaining signatory status to the UK Stewardship Code
- Agreeing an updated RI strategy and associated exclusionary policy
- Receiving a report from the Good Economy on the social impact of the Fund's private market investments

The Actuary and the Investment Consultant to the Fund will each produce their own report, so this area of my report focuses on *how* things are done, rather than *what* is done.

Key areas in relation to investment and funding this year have included:

Investment strategy changes

As part of the operation of the Fund's Risk Management Framework, changes to the strategic asset allocation prompted by the funding level reaching 110% were approved in March 2024. Managing the funding position and associated risk is very important for the Fund and employers, and the de-risking process appears to have worked very well. Asset allocation changes were also agreed to ensure sufficient short-term liquidity in the Fund, ensuring members' benefits can be paid efficiently and on time.

Responsible investment

Responsible investment has continued to be a key area of focus.

The Fund fully funded its strategic allocation to the WPP Sustainable Equity fund through disinvestment from the Global Equity Opportunities Fund and Emerging Market Equity Fund during the year. From a governance perspective it is very positive that strategy agreed by the Committee has now been fully implemented.

I was also pleased to note that the Fund retained its position as a signatory of the UK Stewardship Code.

The Fund continued to develop its responsible investment strategy, agreeing a framework setting out the exclusion criteria and thresholds for its listed equity investments on both a minimum objective and an ambition basis. Climate change can be a very emotive topic with a diverse range of views, and credit is due to all those involved (officers, Committee members, advisers and investment managers).

Social Impact

The Fund engaged "The Good Economy" to assess the Fund's UK private market investments to understand their social impact. This seems to me to be a very positive step, allowing the Fund to monitor the effect of its strategy and demonstrate the impact its investments are delivering.

Looking to the future

- Continue to implement the investment strategy changes agreed in March. From a governance perspective I am pleased to see this has been considered ahead of the triennial actuarial valuation, given funding and investment are heavily interrelated.
- The Interim Funding Update ahead of the valuation as at 31 March 2025 is another key project. I am mindful that many employers may still be balancing tight budgets so early discussions on potential changes to their contribution rates seems appropriate from a governance perspective.
- With the increased focus on responsible investment and following the Taskforce for Climate Related Financial Disclosures (TCFD), the Taskforce for Nature Related Financial Disclosures (TNFD) has released nature-related financial disclosure recommendations to

help organisations provide better information to support informed capital allocation. I am pleased to see the Fund is already considering these recommendations and has planned training to assist the Committee in understanding their application to the Fund.

Administration and Communications

Key Achievements

- Successful implementation of the new Administration Team structure
- Continued focus on implementing the McCloud judgment
- High level of achievement against the Fund's key performance indicators
- Further work to implement the Communications Strategy

The Fund completed a work planning exercise which identified that the level of work for the Administration Team is expected to increase over the next few years which will require additional resource. The Fund also identified a number of administration officers who might be expected to retire or leave the Fund over the next few years. The Pensions Administration Manager therefore reviewed the structure of the Administration Team, identifying a need to make a number of new permanent posts, primarily to replace existing temporary posts. Following the approval of the new structure the Fund ran a successful recruitment campaign appointing permanent members of staff to all key positions. This will make the Administration Team more resilient and help the Fund continue to meet the current high level of performance.

The McCloud remedy regulations came into force on 1 October 2023, and the Fund has achieved the key milestone of processing new cases in line with the Regulations (other than where external factors prevent this, e.g. where guidance and calculators are awaited). In common with other LGPS funds, the Fund's **McCloud remedy programme** team still has a considerable amount of work to do to, such as completion of the data collection exercise, recalculating benefits for leavers, and preparing for the 2024/2025 annual benefit statements to reflect the McCloud remedy. The team has continued its work collecting and validating data to enable the calculation of any final salary underpin of benefits for the remedy period for qualifying members. Fund members have been kept informed and I have been pleased to see ongoing regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day-to-day workloads**, there was no let up for the Pensions Administration Team with nearly 33,400 administration cases in 2023/2024 compared to 35,900 in 2022/2023. Despite the continuing resourcing challenges, the team managed to broadly maintain performance over the year, with only a small increase in the number of outstanding cases. This is a remarkable achievement and testament to the commitment and hard work of the team.

Key performance indicators are monitored for the vast majority of day-to-day administration processes. Three different periods are measured and the results for 2023/2024 are as follows:

- internal timescales for the administration team: 87% (decrease of 4% compared to 2022/2023),
- legal timescales: 90% (no change compared to 2022/2023),
- overall process time: 75% (increase of 1% on 2022/2023).

It is really pleasing to see both the legal and overall timescales either improving or staying the same, as these have the most direct impact on members. Whilst the fall in performance against the internal timescales will be disappointing for the team, I recognise performance remains high and training a high number of new members of staff will have a short-term impact on the Fund's day to day operations.

Progress against other areas in the Business Plan

- **National Pensions Dashboard**

The pensions dashboard team continued its work on preparing the Fund for the implementation of pensions dashboard. Continued delays in the national pensions dashboard has limited the scope of the work completed.

- **Implementation of the new Communications Strategy**

I have been pleased with the progress in the implementation of the Communications Strategy. In particular the work done to review the contents of the website to ensure that clear and concise language is used and planning for a suite of member and employer videos should bring great benefits to the Fund members and employers. I am looking forward to further work on this over the next year.

Looking to the future

- Implementing the **McCloud remedy** remains a major programme of work, the majority of which will fall to the Pensions Administration Team. It will need to be well managed and resourced, with robust quality checks and efficiencies through bulk processing where possible. It is currently expected that the benefit rectification work will need to be completed by the deadline for the 2025 benefit statements, although this may be subject to change. I am also conscious that guidance is not yet available for all complex areas, including providing LGPS benefits for some elements of Teachers' pay.
- The final connection deadline of the **National Pensions Dashboard** for public sector schemes (the "staging date") has been confirmed as 30 September 2025. Implementing the Dashboard will be another major project requiring significant in the coming years, and I have been pleased to see the Administration team preparing project plans for this work in anticipation of the final legislation.
- Implementation of the new employer escalation framework will allow the Fund to productively engage with employers where they are not meeting their obligations whilst an expansion of the Employer Liaison Team will help employers who are struggling with meeting their Fund related duties if this is appropriate.
- The administration and communications related policies due to be reviewed in 2024/2025 include the Administration Strategy, Under / Overpayment Policy and Personal Data Retention Policy. I am also pleased to note that there are plans to produce the first Data Improvement policy.

Final Thoughts

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for making me feel welcome as I have stepped into the Independent Adviser role. I am impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement from the Pension Fund Committee and Pension Board members who collectively dedicate many hours to Committee / Board business.

DRAFT

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Appendix 2: Pension Board Annual Report

Introduction

This is the annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2023 to 31 March 2024.

Role and Membership of the Clwyd Pension Fund Board

The Public Service Pensions Act (PSPA) 2013 requires each LGPS Administering Authority to have a local Pension Board consisting of employer and scheme member representatives in equal numbers. Some Pension Boards also have an Independent Chair, which is the case with the Clwyd Pension Fund Board. The Chair is a non-voting role.

Legislation states that the role of the Pension Board is to assist the Administering Authority in:

- securing compliance with the LGPS regulations and other regulations relevant to the governance and administration of the LGPS, and requirements imposed by the Pensions Regulator,
- ensuring effective and efficient governance and administration of the LGPS.

This has generally been interpreted as the Pension Board having an oversight rather than decision-making role. We (the Clwyd Pension Fund Board) consider our role to be about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and Fund officers in the hope that the questions we ask, and the challenge and advice we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.

Board members undertake their roles for a period of between three and five years and may be reappointed for future terms if selected again through the recruitment process.

Membership

Our Board membership during 2023/2024 is shown in the table below. The membership of one of our employer representatives, Steve Gadd, ended in July 2023. We want to thank Steve for his extremely valuable contribution as a Board member during his appointment. Steve was replaced by Richard Weigh, Chief Officer Finance and ICT at Wrexham County Borough Council in November 2023.

We were also sad to see Phil Pumford, member representative (appointed by the trade unions), resign from his post due to capacity issues in March 2024 after many years of excellent involvement with the Board. At the time of writing, plans are in place to replace Phil.

Meetings and attendance

During the year we held three Pension Board meetings (in August 2023, October 2023 and December 2023). The December 2023 meeting was in person and the other two were virtual. Attendance was as follows:

		August 2023 (special)	October 2023	December 2023
Mr Phil Pumford	Member Representative		✓	✓
Mrs Elaine Williams	Member Representative	✓	✓	✓
Mr Steve Jackson	Employer Representative	✓	✓	✓
Mr Richard Weigh	Employer Representative	N/A	N/A	✓
Mrs Karen McWilliam	Independent Chair			✓
Ms Alison Murray	Alternate Independent Chair	✓	✓	

In the summer of 2022, we carried out an effectiveness survey where it was agreed three longer meetings continues to be our preference, rather than moving to four shorter meetings a year. One of the outcomes from the survey was to review the meeting dates following the March 2023 meeting, so that meetings were better spaced out. We therefore agreed that our normal Board meetings should be in April, September and December, subject to availability. The planned September 2023 meeting had to be delayed until October 2023 due to the Chair's unavailability following surgery.

The meetings were also attended by the Board Secretary (the Head of Clwyd Pension Fund) and Pension Fund Officers who support the Pension Board.

Training

As members of the Pension Board, we have all committed to meeting the requirements of the Fund's Knowledge and Skills Policy, which also ensures we meet the legal requirement to have the right level of knowledge and skills to carry out our Pension Board roles. We attended a range of events and training in 2023/2024 to complement induction training undertaken on appointment. We are also invited to attend the Pension Fund Committee meetings and their training events along with training events arranged by Wales Pension Partnership.

The Fund specifies (in its Knowledge and Skills Policy) an objective relating to the minimum number of Board members who are required to attend essential training sessions. The policy currently states that 75% of Board members must attend each Hot Topic training session, as these are classed as essential training. We are pleased to report that we have exceeded that number at all but two essential training sessions since the policy was formally agreed by the Pension Fund Committee in September 2021.

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

Event	Steve Jackson	Phil Pumford	Elaine Williams	Richard Weigh	Karen McWilliam
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Event	Steve Jackson	Phil Pumford	Elaine Williams	Richard Weigh	Karen McWilliam
Committee Meetings					
June 2023		✓	✓	N/A	✓
August 2023		✓	✓	N/A	
November 2023			✓		✓
February 2024	✓		✓		✓
March 2024		N/A	✓		✓
Other Meetings					
Annual Joint Consultative Meeting					✓
Hot Topic (essential training)					
Governance of Investments (April 2023)	✓		✓	N/A	✓
Tactical Asset Allocation and Responsible Investment (May 2023)	✓		✓	N/A	✓
Divestment Framework (August 2023)	✓		✓	N/A	
Investment Matters and Training Plan (February 2024)	✓		✓		✓
TPR General Code (March 2024)	✓		✓		✓
General Awareness					
CIPFA Local Pension Board Autumn Training (November 2023)			✓		✓
LGC Investment Seminar 2024 (March 2024)	✓				
Other Wales Pension Partnership Training					
Private Markets and levelling up / Development			✓	N/A	

Event	Steve Jackson	Phil Pumford	Elaine Williams	Richard Weigh	Karen McWilliam
opportunities (June 2023)					
Responsible Investment (September 2023)	✓		✓	N/A	
Reporting (December 2023)			✓	✓	✓
Market Understanding & Regulatory Requirements (March 2024)			✓		✓

The Board also completed a training needs analysis at the end of 2023/2024 to help identify any gaps in knowledge, and the results of this are being considered as part of ongoing training plan.

What has the Pension Board done during 2023/2024?

Full minutes of Pension Board meetings are provided to the Pension Fund Committee each meeting and are published as part of the publicly available meeting papers.

Our meetings include several **standing items**, including:

- latest Pension Fund Committee papers
- reviewing the administration of the Fund including performance against Fund and employer Key Performance Indicators (KPIs), and data improvement activity
- developments in asset pooling
- management of cyber security, business continuity and pension scams
- reviewing the Fund's risk register, breaches log and audit reports
- receiving updates on all compliments and complaints and
- monitoring of our allocated budget.

Key governance matters that we discussed during the year included:

- Regular updates on **recruitment and retention** within the internal Clwyd Pension Fund teams, including progress on succession planning relating to the retirement of the Deputy Head of Clwyd Pension Fund in June 2024. In relation to the Administration Team, we were very pleased with the workforce planning that was undertaken, including analysis of increases in certain case types. This led to the development of the new structure including a new Project Team to help better management of day-to-day processes within the Operations Team and reduce the risk of increasing backlogs. The approval of the proposed new administration structure has been very positive and helped relieve some of the resourcing strain. All temporary positions within the Administration Team were made permanent and the additional and existing vacant positions were filled relatively quickly, albeit the Pensions Administration Manager highlighted that training of new recruits and

promoted staff members would take a number of months. The success of this training is an area where we will retain a watching brief given it is critical to the scheme member and employer services.

- The governance of investment decisions: given there were a number of new Committee members appointed in May 2022 and some **key decisions around responsible investments and climate change**, we held a special Pension Board meeting in August 2023 to consider this important topic. We were pleased that three essential training sessions were arranged leading up to the August Committee meeting where a framework for exclusion of fossil fuels, and an updated Investment Strategy Statement, were agreed. We welcomed the robust discussions around these areas, as well as the efforts being made by the Fund's officers and advisers to address the Committee's concerns and provide the information requested by the Committee. Responsible investment tends to be a regular item at Board meetings now.
- At the same special Pension Board meeting, we shared our views on a questionnaire from WPP on **Stewardship** themes and were pleased our input was sought. A key area we fed back on was in relation to how stakeholder views are taken into account by Robeco noting their engagement is on behalf of all clients rather than specifically relating to the Wales Pension Partnership (WPP) and the Clwyd Pension Fund.
- The progress of **asset pooling** through the Wales Pension Partnership. Our focus remains on the governance of WPP. During the year we received updates on the procurement of the WPP Operator, the transition of the Operator's services from Link Fund Solutions to Waystone (following the sale of Link Fund Solutions) and progress on various private market investment arrangements, which is a key area for the Clwyd Pension Fund, due to the high proportion of the Fund invested in private markets compared to most LGPS funds. We also asked the Head of Clwyd Pension Fund to seek assurances from the Host Authority around how cyber risk was being managed in relation to WPP. The Chair of the Board continues to attend regular asset pooling engagement meetings with the other Welsh Pension Board Chairs and officers and suppliers responsible for WPP, which allows for the views of the Fund and any concerns to be expressed directly to WPP.
- We also considered the initial progress being made in developing **Equality, Diversity and Inclusion (EDI)** principles, prior to the Fund approving its EDI policy at the Committee meeting in March 2024. As part of this discussion, we received an overview of The Pension Regulator's EDI guidance and its application to the LGPS. We welcomed the Fund agreeing EDI principles and developing a policy. We recognise the practical difficulties in achieving diversity across the Board, Committee and officers but did share some concern around those with disabilities being under-represented, an area where it is hoped focus groups can assist.
- We received a useful update on the approach that was taken to reviewing the Fund's **Business Continuity Plan**, as well as sight of the draft Plan. This was reassuring to us given how ways of working have developed since the pandemic, and we felt the draft Plan was well thought through.

Key administration, including communications matters that we discussed during the year included:

- The Fund’s new **Communications Strategy** was approved by the Committee in June 2022 and there has been a range of communication developments to implement the new strategy. We received demonstrations of videos the Fund had developed to assist scheme members in understanding their annual benefit statements and also using the on-line member self-service facility. We found these videos to be excellent and extremely informative, particularly given they had been developed fully by the in-house teams. We supported further videos being developed in line with the team’s plans. We did also provide some feedback on how best to engage with employers as part of the annual employer/scheme member representatives’ session. We were sad to learn that the Fund’s Communications and Marketing Officer had left given the excellent work that was being done in this area.
- We received updates on the Fund’s programme of work to implement the **McCloud** judgment at each meeting. All Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. The year was frustrating for the Operations section given ongoing delays with regulations and central guidance, which has added to the difficulties in ensuring all the data is validated and uploaded to the administration system. Despite the external factors contributing to delays we had useful discussions with the Pensions Administration Manager which assured us good progress was being made.
- As part of the administration updates, the Pensions Administration Manager updated us on a wide range of areas including:
 - progress with preparing for the implementation of the **National Pensions Dashboard** where the onboarding date for the LGPS is 31 October 2025.
 - increases in workloads created by **backdated pay awards**, which leads to large numbers of recalculations for deferred members and pensioners, and how the new Projects Team will help in managing peaks in workloads such as these.
 - **Member cases received, completed and outstanding**, including cases completed in line with **key performance indicators**, which overall, show solid performance by the team despite there being a number of areas where workloads are increasing. This reflects the hard work and commitment of the administration teams.

The Pension Board’s budget and final spend for 2023/2024 are summarised below:

Item	Budget 2023/2024 £	Actual 2023/2024 £	Variance £
Allowances and Expenses	2,130	1,470	- 660
Training	28,575	24,879	- 3,696
Advisor Fees	75,375	127,517	52,142
Other Costs	4,700	4,360	- 340
Total	110,780	158,226	47,446

What will the Pension Board do in the future (in particular in 2024/2025)?

We have a number of items on our forward plan for 2024/2025, although the exact agenda and timescales will need to remain flexible to consider any further matters that may arise. The following are on our work plan for the forthcoming year:

- Considering the Fund's compliance with The Pension Regulator's General Code of Practice which came into force in March 2024, including their action plan for ongoing improvement
- Understanding the expected Good Governance related regulations and guidance and how the Fund will need to respond to that.
- Further consideration of ongoing areas, including:
 - The impact of the retirement of the Deputy Head of Clwyd Pension Fund, and how any risks relating to that are managed
 - Monitoring ongoing administration performance given the new Administration Team structure and the training that has been taking place
 - Ongoing work to implement the Fund's Equality, Diversity and Inclusion Policy including the development of an action plan
 - Continuing the McCloud remedy programme work
 - Increased engagement with employers failing to meet service standards
 - The National Pensions Dashboard implementation
 - Ongoing management of cyber security risk
 - The governance of asset pooling and transition to a new WPP Operator contract.

A budget for 2024/2025 has been agreed as follows:

Item	Budget 2024/2025 £
Allowances and Expenses	2,130
Training	40,614
Advisor Fees	80,965
Other Costs	4,700
Total	128,409

Conclusion and final comments

In our view 2023/2024 has been another successful and productive year for the Board, and we are pleased with the work we have completed, which has covered a wide range of Fund management areas. We continue to have an excellent working relationship with the Pension Fund Committee and the Fund's officers and are grateful for the way they have all embraced our involvement and for their openness in their interaction with us. We would like to thank the Committee for welcoming us to their meetings, which helps us put the challenges and successes of the Fund much more easily into context. We look forward to continuing that relationship.

Elaine Williams, Member Representative

Steve Jackson, Employer Representative

Richard Weigh, Employer Representative

Karen McWilliam, Independent Chair

Clwyd Pension Fund Board

E-mail address: PensionBoard@flintshire.gov.uk

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Section 3: Financial Performance

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Introduction

This report includes financial monitoring reports for the year 2023/2024 showing both cash flow and income and expenditure compared to budget. It also details the contributions from employers and employees, and shows further information on contributions, assets, investment income and management fees.

The Fund's financial processes and activities are scrutinised by both Internal and External Audit which helps reduce the risk of errors and fraud. The Fund receives reports from Flintshire County Council Internal Audit Team and Audit Wales and acts appropriately in respect of any recommendations.

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Cash Flow 2023/2024

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Private Market portfolio for which the current strategic allocation was 29% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2023/2024. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

2023/2024	Budget £000	Actual £000	Variance £000
Opening Cash	(96,470)	(98,282)	
Payments			
Pensions	76,800	78,522	1,722
Lump Sums & Death Grants	16,000	18,457	2,457
Transfers Out	6,000	5,667	(333)
Expenses (excluding investments)	5,900	6,112	212
Tax Paid	100	78	(22)
Support Services	135	151	16
Total Payments	104,935	108,987	4,052
Income			
Employer Contributions	(60,000)	(67,043)	(7,043)
Employee Contributions	(20,200)	(21,641)	(1,441)
Employer Deficit Payments	9,200	8,723	(477)
Transfers In	(6,000)	(5,513)	487
Pension Strain	(1,200)	(340)	860
Income	(200)	(957)	(757)
Total Income	(78,400)	(86,771)	(8,371)
Cash-flow Net of Investment Income	26,535	22,216	(4,319)
Investment Income	(12,000)	(18,329)	(6,329)
Investment expenses	6,000	8,733	2,733
Total Net of In House Investments	20,535	12,620	(7,915)
In House Investments			
Draw downs	131,210	136,781	5,571
Distributions	(82,502)	(63,534)	18,968
Net Expenditure /(Income)	48,708	73,247	24,539
Total Net Cash-Flow	69,243	85,867	16,624
Movement to/from Managers	0	(24,677)	(24,677)
Closing Cash	(27,227)	(37,092)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2027.

	2024/2025 £000	2025/2026 £000	2026/2027 £000
Opening Cash	(37,092)	(36,625)	(38,518)
Payments			
Pensions	85,280	89,880	94,480
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	4,000	4,000	4,000
Expenses (excluding investments)	6,864	6,864	6,864
Tax Paid	100	100	100
Support Services	113	113	113
Total Payments	112,357	116,957	121,557
Income			
Employer Contributions	(68,000)	(71,600)	(75,200)
Employee Contributions	(22,000)	(23,200)	(24,000)
Employer (Deficit Payments)/Surplus Offset	9,200	9,200	9,200
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(600)	(600)	(600)
Income	(200)	(200)	(200)
Total Income	(87,600)	(92,400)	(96,800)
Cash-flow Net of Investment Income	24,757	24,557	24,757
Investment Income	(25,000)	(25,000)	(25,000)
Investment expenses	8,000	8,000	8,000
Total Net of In House Investments	7,757	7,557	7,757
In House Investments			
Draw downs	177,110	179,350	172,318
Distributions	(79,400)	(68,800)	(94,400)
Net Expenditure /(Income)	97,710	110,550	77,918
Total Net Cash-Flow	105,467	118,107	85,675
Rebalancing Portfolio	(105,000)	(120,000)	(90,000)
Closing Cash	(36,625)	(38,518)	(42,843)

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2023/2024 compared to 2022/23. Management fees overall have increased primarily due to the increase in underlying asset values over the year and commitments to new investments. Other significant changes were due to costs associated with the actuarial and investment advisory fees which were lower than 2022/23 given that it wasn't an actuarial valuation year and there weren't any significant market events, and also employee costs were higher due to the recruitment processes implemented.

	Actual 2022/2023 £000	Actual 2023/2024 £000	Variance 2022/2023 to 2023/2024 £000
Governance Expenses			
Employee Costs	281	366	85
Support & Services Costs (Internal Recharges) including IT	18	22	4
Other (Transport, Supplies & Services)	64	96	32
Training (2024/2025 onwards)			
Audit Fees	47	46	(1)
Actuarial Fees	926	567	(359)
Consultant Fees	1,548	1,222	(326)
Advisor Fees	586	684	98
Legal Fees	74	57	(17)
Pension Board	96	141	45
Pension Board Training (2024/2025 onwards)			
Pooling (Host and Consultants)	163	228	65
Total Governance Expenses	3,803	3,429	(374)
Investment Management Expenses			
Fund Manager Fees	21,298	25,506	4,208
Custody Fees	158	146	(12)
Performance Monitoring Fees	46	46	(0)
Pooling (Operator and FM costs)	930	1,077	147
Total Investment Management Expenses	22,432	26,775	4,343
Administration Expenses			
Employee Costs	1,391	1,549	158
Support Services Costs (FCC Recharges)	114	131	17
IT (Direct or External charged Services)	515	478	(37)
Other (Supplies & Services etc)	125	101	(24)
Total Administration Expenses	2,146	2,260	114
Employer Liaison Team			
Direct Costs	320	348	28
Total Employer Liaison Team	320	348	28
Total Costs	28,701	32,812	4,111

The following table shows actual costs for 2023/2024 compared to the budgeted costs along with the budget for 2024/2025. Over 2023/2024, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2023/2024 was lower than actual costs. Key variances against the budget during the year were underspends on actuarial fees, IT (allocated budgets were not required for some expected projects in the year), and employee costs (due to some vacant positions remaining unfilled). These underspends were offset by higher than expected investment consultant/governance advisory fees.

	Actual 2023/2024 £000	Budget 2023/2024 £000	Variance 2023/2024 £000	Budget 2024/2025 £000
Governance Expenses				
Employee Costs	366	413	(47)	442
Support & Services Costs (Internal Recharges) including IT	22	17	5	15
Other (Transport, Supplies & Services)	96	95	1	78
Training (2024/2025 onwards)				86
Audit Fees	46	45	1	45
Actuarial Fees	567	722	(155)	835
Consultant Fees	1,222	1,087	135	1,230
Advisor Fees	684	598	86	629
Legal Fees	57	30	27	25
Pension Board	141	111	30	105
Pension Board Training (2024/2025 onwards)				24
Pooling (Host and Consultants)	228	215	13	218
Total Governance Expenses	3,429	3,333	96	3,732
Investment Management Expenses				
Fund Manager Fees	25,506	19,755	5,751	23,068
Custody Fees	146	192	(46)	134
Performance Monitoring Fees	46	46	(0)	49
Pooling (Operator and FM costs)	1,077	885	192	1,187
Total Investment Management Expenses	26,775	20,878	5,897	24,438
Administration Expenses				
Employee Costs	1,549	1,636	(87)	1,820
Support Services Costs (FCC Recharges)	131	114	17	98
IT (Direct or External charged Services)	478	718	(240)	718
Other (Supplies & Services etc)	101	146	(45)	146
Total Administration Expenses	2,260	2,614	(355)	2,782
Employer Liaison Team				
Direct Costs	348	396	(48)	282
Total Employer Liaison Team	348	396	(48)	282
Total Costs	32,812	27,221	5,591	31,234

Employers participating in the Fund at 31 March 2024

Contributions

50 bodies contributed to the Fund during 2023/2024, 33 scheduled and 17 admitted.

Contributions are paid to the Fund by the 19th of the month following the month they relate to.

Employer and employee contributions, (including deficit payments) received during 2023/2024 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

There have been no changes to the participating employers over the year i.e. no new bodies have joined and no bodies have ceased participation.

Scheduled bodies	Employer Contributions £*	%	Employee contributions £	Avg %**
Flintshire County Council	22,872,801	20.7	6,794,698	6.2
Wrexham County Borough Council	13,926,497	13.3	6,380,751	6.1
Denbighshire County Council	13,800,799	16.7	5,123,299	6.2
Coleg Cambria	3,479,988	18.5	1,210,274	6.4
Glyndwr University	1,642,353	15.8	744,042	7.1
North Wales Fire Service	609,898	10	417,567	6.9
Rhyl Town Council	48,724	36.6	9,853	7.4
Prestatyn Town Council	34,073	17.1	13,633	6.9
North Wales Valuation Tribunal	27,012	22.3	9,559	7.9
Hawarden Community Council	26,671	11.7	16,043	7
Holywell Town Council	13,312	14.8	5,647	6.3
Cefn Mawr Community Council	12,031	14.9	4,058	5
Flint Town Council	11,871	19.1	3,906	6.3
Denbigh Town Council	11,725	21.9	3,498	6.5
Rhos Community Council	11,179	9.2	7,441	6.1
Ruthin	10,477	20.4	3,212	6.2
Acton Community Council	9,877	27.4	2,062	5.7
Mold Town Council	8,676	9.6	5,889	6.5
Penyffordd Community Council	7,860	18.9	2,357	5.7
Gresford Community Council	6,487	23.8	1,555	5.7
Coedpoeth Community Council	5,393	6.3	4,941	5.8
Broughton & Bretton	4,825	24.3	1,151	5.8
Offa Community Council	4,796	9.4	3,027	6
Hope Community Council	3,480	21.9	873	5.5
Bagillt Community Council	3,127	22.3	770	5.5
Buckley Town Council	2,455	4.3	3,378	5.9
Gwernymynydd Community Council	2,195	33.1	365	5.5
Marchweil Community Council	2,007	26.1	406	5.8
Northop Town Council	1,716	18.6	502	5.4
Argoed Community Council	1,248	9	763	5.5
Connah's Quay Town Council	0	0.0	7,536	6.1
Caia Park Community Council	0	0.0	6,842	5.9
Shotton Town Council	0	0.0	852	3.3
Total Scheduled Bodies	56,603,553		20,790,750	

Admitted bodies	Employer Contributions £*	%	Employee contributions £	Avg %**
Denbighshire Leisure	717,002	12.3	358,683	6.2
Aura Leisure & Libraries Ltd	410,961	14.5	178,190	6.3
Newydd Catering & Cleaning Ltd	382,950	15.6	140,769	5.7
Theatre Clwyd Trust	244,366	22.3	84,511	6.6
Theatre Clwyd Music Trust	88,630	21.2	25,177	6
Holywell Leisure Ltd	39,999	15.4	15,423	5.9
Home Farm trust Ltd	28,713	8.2	20,425	5.8
Aramark Ltd B	27,667	23.4	7,287	6.2
Glyndwr Student's Union	27,003	14.1	11,997	6.3
Freedom Leisure	23,966	3.8	38,564	6.1
Careers Wales	22,584	1.3	109,456	6.2
Cartref NI	13,187	16.3	4,930	6.1
Aramark Ltd	9,691	10.1	5,443	5.7
Dolce	8,690	22	2,173	5.5
Churchills	6,268	18.1	1,903	5.5
Denbigh Youth Project	5,001	17.7	7,837	27.7
Cartref Y Dyffryn Ceiriog	0	0.0	4,627	6
Total Admitted Bodies	2,056,678		1,017,395	
Total Contributions	58,660,231		21,808,145	

* For some employers, given the employer's funding position emerging from the 2022 actuarial valuation, surplus offset contributions certified by the actuary can exceed the % primary rate contribution certified. In such cases the overall employer contributions emerges as zero.

** For some employers, the employee contribution figures include contributions towards Additional Pension Contracts (APCs) in addition to the regular % contributions payable. In some instances, the payment of APCs can distort the average implied employee rate given the relative size of the contributions paid.

We are able to charge interest on overdue contributions during the financial year. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned.

The Fund did not exercise its option to charge interest to any of the employers during the year but the occurrences were registered in the Fund's breaches register and reported to the Pension Fund Committee. The total of all late payments was £850 (0.001% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	1	675
B	1	175

Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2024.

	UK £000	Non UK £000	Global £000	Total £000
Equities	0	0	344,501	344,501
Alternatives	308,187	388,690	404,395	1,101,272
Bonds & LDI	652,916		251,529	904,445
Property (Direct)	0	0	0	0
Cash	125,060			125,060
Total	1,086,163	388,690	1,000,425	2,475,278

The alternatives portfolio comprises pooled investments in the following asset classes: Hedge Fund Managed Account, Diversified Growth Funds and Private Markets which includes, Property, Private Debt, Private Equity & Impact/Local, Infrastructure, Timber and Agriculture.

The following table further splits the Fund's assets between pooled funds, funds under pool management (for example, funds which the pool is responsible for the oversight or discretionary management of) and funds not yet pooled. The "Under Pool Management" entry relates to the share of the Fund's Separate Management Account that is attributed to a WPP project.

Asset values as at 31 March 2024	Pooled £000	Under pool management £000	Not pooled £000	Total £000
Equities (including convertible shares)	344,501	-	-	344,501
Bonds	251,529	-	-	251,529
Property	-	-	112,829	112,829
Hedge funds	-	-	121,128	121,128
Liability Driven Investments	-	-	652,916	652,916
Diversified Growth Funds (including multi-asset funds)	-	-	283,267	283,267
Private equity	18,554	-	204,294	222,848
Private debt	4,648	-	56,657	61,305
Infrastructure	15,642	-	133,891	149,533
Local / Impact	-	3,105	137,755	140,860
Timber / Agriculture	-	-	9,502	9,502
Derivatives	-	-	-	-
Cash and net current assets	-	-	125,060	125,060
Other	-	-	-	-
Total	634,875	3,105	1,837,300	2,475,279

Additional information on investment in the UK is shown in the supplementary table below:

Asset values as at 31 March 2024	Pooled £000	Under pool management £000	Not pooled £000	Total £000
UK Listed Equities	-	-	-	-
UK Government Bonds	-	-	-	-
UK Infrastructure	-	3,105	19,673	22,778
UK Private Equity	-	-	76,697	76,697

Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2024.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	-	3,160	2,596	5,756
Alternatives	6,363	10,198	-	16,561
Bonds & LDI	-	-	9,948	9,948
Property (Direct)	-	-	-	-
Cash	2,892	-	-	2,892
Total	9,255	13,358	12,544	35,158

Fund Manager Expenses (including underlying fees)

Background

The relationship between fees, risk, and investment return is crucial for pension funds. Fees, which are the costs associated with managing investments, directly impact returns. Higher fees can erode investment returns over time. Pension funds must carefully consider the fees charged by investment managers and service providers.

Risk and investment return are closely linked. Investments with higher potential returns often come with higher levels of risk. Pension funds need to strike a balance between seeking higher returns to meet long-term obligations and managing risk to protect assets. Evaluating fees in relation to the risk and return characteristics of investments is essential.

2023/2024 Fees

The fees which are disclosed in the statement of accounts within the Annual Report have been disclosed in accordance with the CIPFA guidance which states that fees and expenses should only be included where the Fund has a direct relationship with the investment manager. These fees include the annual management charge as well as additional costs such as operational, administrative and legal expenses. In addition any costs for performance and transaction fees are also disclosed. These are disclosed in Note 11 in the Fund's accounts.

Fees relating to underlying managers are not required to be disclosed in the accounting regulations, however the Fund believes we should provide our stakeholders with information on all fees relating to our investments.

The Fund has exposures to underlying managers through investments in alternative mandates including Hedge Funds, the Tactical Asset Portfolio and Private Markets.

The table below shows the fees and expenses which would have been disclosed if underlying fees and their performance fees were included.

The table also shows an average of the basis points charged for each category of fee for the valuation of core assets, non-core assets and total fund.

Fund Management Fees	Avg bps	2023/2024 £000	Avg bps	2022/2023 £000
CORE (72% of Fund)	49	8,158	63	9,765
Total expenses including AMC	19	3,185	20	3,177
Underlying Fees (includes performance and transaction fees)	23	3,841	36	5,585
Performance Fees	0	0	0	0
Transaction Fees	7	1,132	7	1,003
NON CORE (28% of Fund)	360	25,075	311	19,848
Total expenses including AMC	244	17,036	200	12,762
Underlying Fees (includes performance and transaction fees)	40	2,810	28	1,800
Performance Fees	66	4,572	69	4,425
Transaction Fees	9	657	14	861
Total underlying fees	28	6,651	34	7,385
Total direct fees	113	26,582	101	22,228
Total fees	141	33,233	135	29,613
Net Assets (Core)		1,653,341		1,562,141
Net Assets (Non-Core)		696,878		637,450
Total Net Assets (excluding cash)		2,350,219		2,199,591

Assets within the “Core” disclosure include: Active Equities, Unconstrained Fixed Income, Liability Driven Investment, Hedge Fund Managed Account Platform, Diversified Growth Funds and the Tactical Asset Portfolio. These account for 72% (71% in 2022/23) of the Fund assets but only 25% (33% in 2022/23) of the total fees.

Assets within the “Non-Core” disclosure include: Private Debt, Private Equity (Direct and Fund of Funds), Property (Open and Closed ended), Infrastructure, Timber and Agriculture. Whilst these account for 28% (29% in 2022/23) of the Fund assets the proportion of fees amounts to 75% (67% in 2022/23). These figures include the underlying fees. In comparison, excluding underlying fees,

the proportion of fees for core assets is **16%** (19% in 2022/23) and non-core, **84%** (81% in 2022/23). Many of the Fund's managers are now signed up to the Cost Transparency Initiative (CTI) and are providing fees through the CTI template.

Movement in Current Assets and Current Liabilities

There was an increase in current assets of £2,368k in 2023/2024, driven by contributions due from employers. Current liabilities increased by £1,344k, driven by contributions received in advance and benefits payable.

Wales Pension Partnership (WPP)

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

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

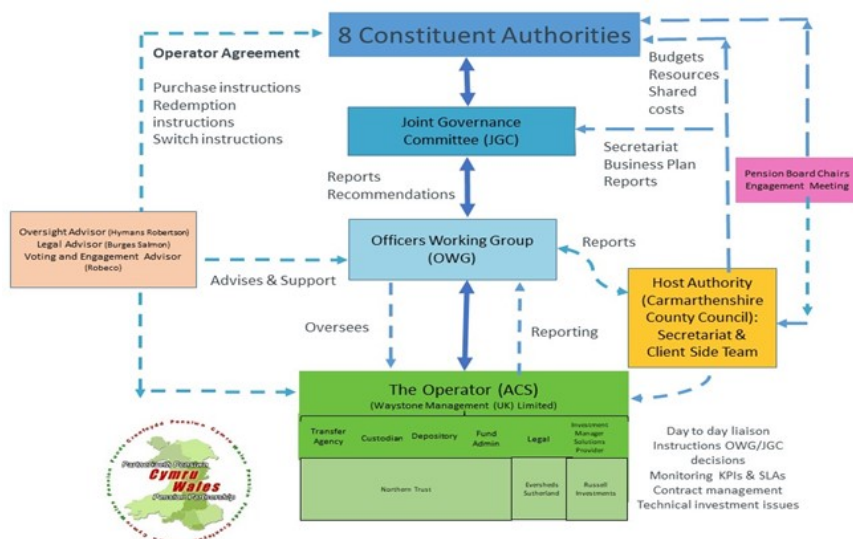
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd County Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP’s governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP’s Business Plan, which outlines the WPP’s budget and workplan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Waystone (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Waystone carries out on behalf of the WPP. Waystone engages with the Constituent Authorities by:

- Direct engagement: attendance at annual pension committee meetings

- Indirect engagement: with CAs collectively, through the JGC and OWG

In collaboration with Waystone, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP’s eight Constituent Authorities to establish investment vehicles.

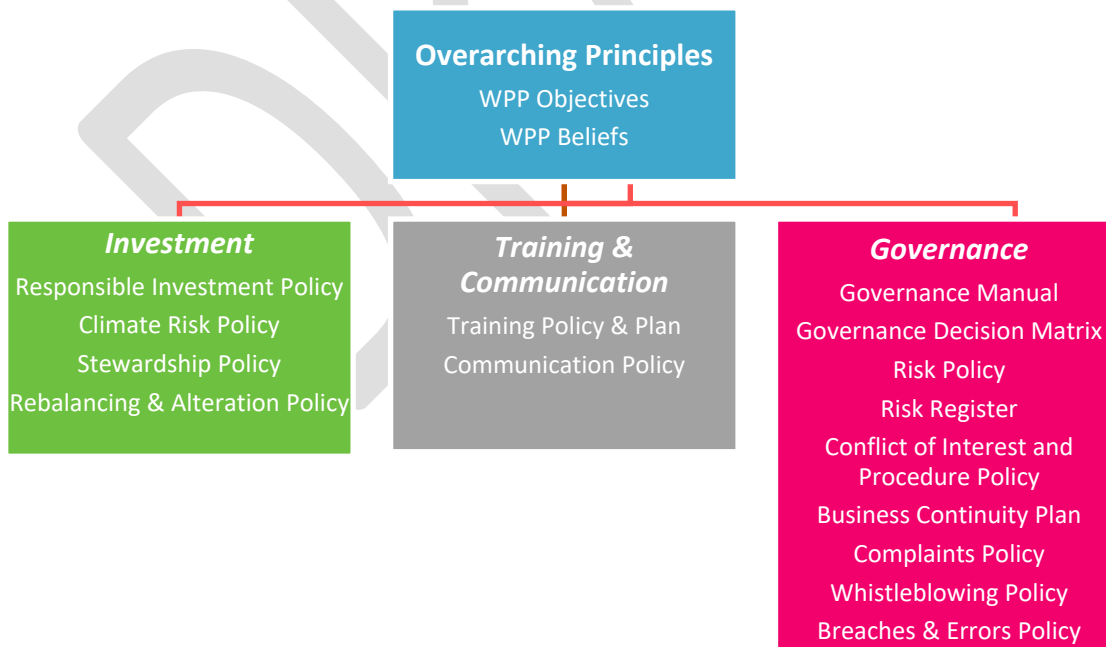
Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP’s Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP’s legal advisors, and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP’s Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP’s portfolio and undertaking engagement activity on behalf of the WPP.

The WPP’s beliefs are the foundation for WPP’s governance framework and have been used to guide all of the WPP’s activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.



Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP’s ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been

established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP’s RI and Climate Risk Policies.

The WPP’s Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website: <https://www.walespensionpartnership.org/>

Risk

Risk management is a critical element of WPP’s commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP’s Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis. Further information on the risk register can be found on the WPP website: <https://walespensionpartnership.org/publications/risk-policy-and-risk-register/>

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP’s pooling activities. Induction training is also provided to all new JGC members.

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

- The regulations and market relating to pensions;
- The pooling of Local Authority Pension Schemes;
- Relevant investment opportunities.

In accordance with the approved training plan, the following training was available to both Committee and Board members during 2023/2024:

Topic		Date
Product Knowledge	<ul style="list-style-type: none"> • Private Market Asset Classes – Private Equity / Property • Levelling up / development opportunities 	8 Jun 2023
Reporting	<ul style="list-style-type: none"> • TCFD reporting • Performance reporting 	21 Sep 2023
Responsible Investment (RI)	<ul style="list-style-type: none"> • Voting & Engagement • RI within the WPP sub funds 	13 Dec 2023
Market Understanding and Regulatory Requirements	<ul style="list-style-type: none"> • Progress of other LGPS pools & Collaboration Opportunities • Pooling Guidance 	5 Mar 2024

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering on this objective, from the launch of the first three active equity sub-funds in 2019 through to launching the initial Private Markets Investment programmes in 2023. Alongside the Constituent Authorities existing passive investments, this means that that the WPP has now pooled 74% of assets.

As at 31 March 2024, WPP's Constituent Authorities has total assets worth £25bn, £18.5bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2024 £000	%
Global Growth Equity Fund	Waystone Management (UK) Ltd	February 2019	3,585,735	14.4
Global Opportunities Equity Fund	Russell Investments	February 2019	3,286,471	13.1
UK Opportunities Equity Fund	Russell Investments	September 2019	743,530	3
Emerging Markets Equity Fund	Russell Investments	October 2021	259,410	1
Sustainable Active Equity Fund	Russell Investments	June 2023	1,570,357	6.3
Global Credit Fund	Russell Investments	July 2020	1,033,734	4.1
Global Government Bond Fund	Russell Investments	July 2020	488,815	2
UK Credit Fund	Waystone Management (UK) Ltd	July 2020	707,817	2.8
Multi-Asset Credit Fund	Russell Investments	July 2020	732,391	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	572,982	2.3
Private Markets *				
Infrastructure closed ended – GCM Grosvenor				
Infrastructure open ended – IFM, CBRE and Octopus				
Infrastructure direct – Capital Dynamics				
Private Credit – Russell Investments				
Private Equity – Schroders Capital				
			314,241	1.3
Passive Investments	BlackRock	March 2016	5,200,324	20.8
Investments not yet pooled			6,508,700	26
Total Investments across all 8 Pension Funds			25,004,507	100

* This is the drawn down value as at 31 March 2024 and does not include commitments

The following table summarises the Clwyd Pension Fund’s assets currently managed by WPP as at 31 March 2024, together with the assets that remain under the direct oversight of the Fund, excluding cash. During the year, £101m of the Fund's assets transitioned to the WPP portfolios.

	31 March 2024 £000	%
Sustainable Active Equity Fund	345	13.9
Multi-Asset Credit Fund	252	10.2
Private Markets *	42	1.7
Investments not yet pooled	1,837	74.2
Total Investment Assets	2,475	100

* This is the drawn down value as at 31 March 2024 and does not include commitments

All of the Fund’s physical listed equity and bond investments are invested through the pool. Assets that currently remain outside of the pool include the TAA (tactical asset allocation) portfolio, the Risk management portfolio and the majority of the illiquid private market mandates. At present there are no suitable options available through the pool for the TAA and risk management investments, the Fund will continue to work with the pool to establish appropriate vehicles for the Fund to implement its investment strategy. Given the Fund has a significant proportion of its assets in private markets, less liquid investments, it is expected to be some time before these assets are able to be pooled. For the Fund’s private market allocations, future allocations to Private Equity, Infrastructure and Private Debt are being made through the pool and so the Fund expects that, over time, these investments will be pooled as existing exposures distribute cashflows and these proceeds are reinvested into pooled funds.

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs (the running costs) are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Clwyd Pension Fund for the financial year ending 31 March 2024 was £226k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Clwyd Pension Fund in respect of the WPP are detailed below.

2022/2023 £000	WPP pooling costs	2023/2024 £000
21	Host Authority Costs *	22
137	External Advisor Costs *	204
524	Transaction Costs (Direct) **	650
682	Total	876

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

** Transaction Costs (Direct) costs are shared as a proportion of total AUM.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP. These are split by direct costs which are disclosed in the Fund accounts as directed by CIPFA and those indirect costs for underlying managers which we disclose on page 54 of this Annual Report.

	Fees charged £000				
	Total Expenses including AMC	Performance Fees	Transaction Costs	Custody	Total
Asset Pool					
Direct	411	0	650	106	1,167
Indirect (Underlying)	1,348	0	0	0	1,348
Total	1,759	0	650	106	2,515
bps	0.28	0.00	0.10	0.02	0.39
Non Asset Pool					
Direct					
Indirect (Underlying)	19,810	4,572	1,139	41	25,562
	3,693	986	624	0	5,303
Total	23,503	5,558	1,763	41	30,865
bps	1.37	0.32	0.10	0.00	1.80
Fund Total	25,262	5,558	2,413	147	33,380
bps	1.07	0.24	0.10	0.01	1.42

Asset Allocation and performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31 March 2024.

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
Pool Assets						
Global Equities Passive	115,712	5.0	0	0.0	N/A	N/A
Emerging Market Equities Active	130,027	5.7	344,501	13.9	8.1	9.7
Global Equities Active	230,688	10.0	251,529	10.2	10.2	9.2
Bonds Active	0	0.0	41,949	1.7	1.4	2.4
Total Pool Assets	476,427	20.7	637,979	25.8		
Non- Pool Assets						
Diversified Growth	262,537	11.4	283,267	11.4	8.6	5.9
Liability Driven Investment	663,896	28.9	652,916	26.4	18.8	18.8
Hedge Funds	159,281	6.9	121,128	4.9	8.5	8.7
Property	133,422	5.8	112,829	4.6	-13.9	0.3
Private Equity	205,945	9.0	204,294	8.3	5.4	10.3
Local/ Impact	93,352	4.1	137,755	5.6	6.4	10.3
Infrastructure	130,888	5.7	133,891	5.4	5.9	10.3
Private Debt	61,769	2.7	56,657	2.3	9.0	7.5
Timber & Agriculture	12,074	0.5	9,502	0.4	0.8	10.3
Cash*	98,590	4.3	125,060	5.1		
Total assets not yet pooled	1,821,754	79.3	1,837,300	74.2		
Total assets	2,298,181	100	2,475,279	100.0	9.8	13.1

Note: Performance shown for the 12 months to 31 March 2024.

*Cash represents cash in the bank account.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. A proxy recall service was implemented in December 2023.

Total revenue of LF Wales during 2023/2024 was £1,077,100 (gross) / £915,594 (net) of which the Clwyd Pension Fund received £30,960 with £473,209,901 out on loan as at 31 March 2024.

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

Objectives 2024/2025

In establishing the WPP pool, the prime focus has been on pooling the listed assets, namely equities and fixed income. Progress continues to be made with the rationalisation of the existing range of mandates. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisor and they have assisted the WPP with the identification of Private Markets

Allocators. WPP's Infrastructure, Private Credit and Private Equity investment programmes were launched in 2023.

Work has been progressing in formulating WPP's Real Estate requirements and the optimal means of implementation. With the assistance of bfinance, the procurement process for appointing investment managers is underway with the announcement due to take place in August 2024 and the investment programmes due to launch in 2024/2025.

The Sustainable Active Equity Sub-Fund was also launched in 2023/2024 and this sub fund, along with the Private Market investment programmes have incorporated Responsible investment in their allocation and appointment. With further programmes in development, WPP is now working closely with its service providers to develop a common reporting framework to allow the consistent disclosure of information to its stakeholders.

During 2023/2024, the WPP published its third annual Stewardship Report, remaining a signatory to the UK Stewardship Code and published its first All-Wales Climate Report (AWCR). The AWCR assessed climate exposures across all the Welsh funds and the recommendations that came out of the report are now being progressed, including the evolution of WPP's investment offerings (in particular within the passive allocations and within fixed income) and the implementation of a climate framework.

WPP's existing Oversight Advisor and Voting & Engagement provider contracts come to an end on 31 December 2024 and 31 March 2025 respectively. Work is underway with the contract re-tenders with both appointments due to be made by the end of this calendar year.

There will be focus on reviewing existing WPP policies, in particular the RI focused policies, evolving the Stewardship Policy and incorporating an escalation strategy. Training also continues to be a key area of focus and the WPP will continue to provide timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Section 4: Fund Accounts, Net Assets Statement and Notes

Clwyd Pension Fund Accounts for the year ended 31 March 2024

Fund Accounts

2022/2023 £000		Note	2023/2024 £000
	Dealings with members, employers and others directly involved in the Fund		
(92,123)	Contributions	7	(81,470)
(6,244)	Transfers in	8	(5,493)
(98,367)			(86,963)
	Benefits payable :		
70,631	Pensions	9	78,691
14,354	Lump sums (retirement)		15,349
2,913	Lump sums (death grants)		3,573
87,898			97,613
5,972	Payments to and on account of leavers	10	5,669
93,870			103,282
(4,497)	Net (additions)/withdrawals from dealings with members		16,319
28,701	Management expenses	11	33,045
24,204	Net (additions)/withdrawals including fund management expenses		49,364
	Returns on Investments		
(34,269)	Investment income	12	(34,972)
198,262	Change in market value of investments	13A	(192,514)
163,993	Net return on investments		(227,486)
188,197	Net (increase)/decrease in the net assets available for benefits during the year		(178,122)
(2,490,795)	Opening net assets of the scheme		(2,302,598)
(2,302,598)	Closing net assets of the scheme		(2,480,720)

Net Assets Statement

2022/2023 £000		Note	2023/2024 £000
2,199,900	Investment Assets	13	2,350,219
2,199,900	Net Investment Assets		2,350,219
378	Long-term debtors	19	448
6,624	Debtors due within 12 months	19	8,922
(2,585)	Creditors	20	(3,929)
98,281	Cash at Bank		125,060
2,302,598	Net assets of the fund available to fund benefits at the end of the reporting period		2,480,720

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report (Note 25).

Notes To The Clwyd Pension Fund Accounts For The Year Ended 31 March 2024

Note 1: Description of the Fund

General

Clwyd Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the Fund.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016

The LGPS is a contributory defined scheme, which provides pensions and other benefits to employees and former employees of Flintshire County Council and scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Clwyd Pension Fund Committee which is a committee of Flintshire County Council.

The accounts have been prepared in accordance with the 2023/2024 Code of Practice (the Code) on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below in more detail:

2022/2023		2023/2024
No.		No.
52	Number of employers with active members	50
	Number of employees in scheme	
5,440	Flintshire County Council	5,376
12,231	Other employers	12,437
17,671	Total	17,813
	Number of pensioners	
4,473	Flintshire County Council	4,745
10,678	Other employers	11,051
15,151	Total	15,796
	Deferred pensioners	
5,703	Flintshire County Council	5,694
12,721	Other employers	12,689
18,424	Total	18,383
51,246	Total employees	51,992

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2024. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2022, the findings of which became effective on 1st April 2023. Employer contribution rates towards the future accrual of benefits for the year to March 2024 ranged from 10.5% to 33.1% of pensionable pay. From April 2024 the rates will continue to range from 10.5% to 33.1% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service. From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits as explained on the LGPS website, see www.lgpsmember.org

In addition the Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the Fund. The Fund uses Prudential and Utmost (previously Equitable Life) as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/2024 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 25.

The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The Code has introduced the following changes, amendments and interpretations to existing standards:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- IFRS 16 Leases: will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to April 2024

These changes were mandatory for the Fund's accounting periods beginning on or after 1 April 2022 or later periods and may require changes to accounting policies in future year's accounts. They are not expected to have a material impact on the Fund's financial statements.

Note 3: Summary of Significant Accounting Policies

In summary, accounting policies adopted are detailed as follows:

Fund Account: Revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund's actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body. Additional

employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account: expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

All staff costs in relation to administration expenses are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees. Where fees are netted off quarterly valuations by investment managers, these expenses are included in note 11A and grossed up to increase the change in the value of investments.

Where the Fund has invested in Fund of Funds arrangements and underlying fees are incurred these are not recognised in the Funds accounts, in accordance with guidance from CIPFA. Details of underlying fees may be found in the Fund's Annual Report.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

Net Assets Statement

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 31st March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13A. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Financial liabilities

Financial liabilities are recognised at fair value on the date the Fund becomes legally responsible for the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund as part of the change in value of investments.

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS 26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (note 25).

Additional Voluntary Contributions (AVCs)

The Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016), but are disclosed as a note only (see Note 21).

Note 4: Critical Judgments in Applying Accounting Policies

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report shown at the end of these accounts. These actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5: Assumptions Made About The Future and Other Major Sources of Uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take into account historical experience, current trends and future expectations. However, actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial present value of promised retirement benefits</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £176 million. A 0.25% increase in assumed earnings inflation would increase the value of the liabilities by approximately £17 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £61 million.</p>
<p>Value of investments at level 3</p>	<p>The Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement.</p>	<p>Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.</p>

Note 6: Post Balance Sheet Events

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31 March 2024. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

Note 7: Analysis of Contributions Receivable

By employer

2022/2023 £000		2023/2024 £000
(30,101)	Administering Authority - Flintshire County Council	(30,020)
(57,964)	Scheduled bodies	(48,371)
(4,058)	Admitted bodies	(3,079)
(92,123)	Total	(81,470)

By type

2022/2023 £000		2023/2024 £000
(20,006)	Employees contributions	(21,808)
	Employers' contributions:	
(56,795)	Normal contributions	(68,049)
(14,770)	Deficit recovery contributions	9,389
(552)	Augmentation contributions	(1,002)
(72,117)	Total employers' contributions	(59,662)
(92,123)	Total contributions	(81,470)

Note 8: Transfers in From Other Pension Funds

2022/2023 £000		2023/2024 £000
(6,244)	Individual transfers	(5,493)
(6,244)	Total	(5,493)

Note 9: Benefits Payable

By Authority

2022/2023 £000		2023/2024 £000
29,631	Administering Authority - Flintshire County Council	33,693
56,439	Scheduled bodies	61,744
1,828	Admitted bodies	2,176
87,898		97,613

By Type

2022/2023 £000		2023/2024 £000
70,631	Pensions	78,691
14,354	Commutation and lump sum retirement benefits	15,349
2,913	Lump sum death benefits	3,573
87,898		97,613

Note 10: Payments To and On Account of Leavers

2022/2023 £000		2023/2024 £000
	Bulk transfer values payable	
5,543	Individual transfers	5,235
328	Refunds to members leaving service	231
101	Other	203
5,972	Total	5,669

Note 11: Management Expenses

2022/2023 £000		2023/2024 £000
2,467	Administration costs	2,608
22,386	Investment management expenses	26,962
3,848	Oversight and governance costs	3,475
28,701	Total	33,045

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £46k for 2023/2024 (£47k in 2022/23).

Note 11A: Investment Management Expenses

2023/2024	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	3,185	0	1,132	4,318
Other investments				
Pooled property investments	1,870	207	163	2,240
Private equity and joint venture funds	7,002	1,748	68	8,819
Infrastructure funds	3,594	327	162	4,083
Timber and Agriculture	131	319	0	450
Private Debt	1,273	43	171	1,486
Impact / Local	3,166	1,927	93	5,186
	20,221	4,572	1,789	26,582
Custody Fees				146
Total				26,728

2022/23	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	3,177	0	1,003	4,180
Other investments				
Pooled property investments	2,015	792	196	3,003
Private equity and joint venture funds	4,489	1,854	106	6,449
Infrastructure funds	3,055	631	81	3,767
Timber and Agriculture	148	0	0	148
Private Debt	1,111	160	100	1,371
Impact / Local	1,944	988	378	3,310
	15,939	4,425	1,864	22,228
Custody Fees				158
Total				22,386

Note 11B: Wales Pension Partnership Management Expenses

2022/2023 £000		2023/2024 £000
158	Oversight and Governance	226
524	Transaction Costs	650
406	Fund Management Fees	427
123	Custody Fees	106
1,211	Total	1,409

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Waystone (formerly known as Link Fund Solutions), (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from Investment Income. Underlying manager fees are not included in this table, but are disclosed in the Finance Report elsewhere in the Annual Report. Further details on the WPP can also be found in the Finance Report.

Note 12: Investment Income

2022/2023 £000		2023/2024 £000
	Pooled Funds	
8,392	Income from multi asset credit	9,948
3,045	Income from global equity	2,200
7,086	Income from emerging market equity	3,160
0	Income from sustainable equity	411
	Other investments	
4,083	Income from pooled property investments	3,074
363	Income from private equity and joint venture funds	1,093
4,292	Income from infrastructure funds	4,368
0	Income from timber & agriculture funds	0
3,091	Income from private debt	6,536
3,230	Income from impact / local funds	1,289
556	Interest on cash deposits	2,848
131	Other income	45
34,269		34,972

Note 13: Investments

2022/2023		2023/2024
£000		£000
	Investment Assets	
	Wales Pension Partnership	
230,688	Multi asset credit	251,529
130,027	Global equity	344,501
115,712	Emerging Market Equity	0
0	Infrastructure funds	15,642
0	Private Debt	4,648
0	Private equity and joint venture funds	18,554
	Outside Wales Pension Partnership	
262,537	Diversified growth funds	283,267
663,896	Liability Driven Investment	652,916
159,281	Hedge Fund of Funds	121,128
133,422	Pooled property investments	112,830
205,945	Private equity and joint venture funds	204,294
130,888	Infrastructure funds	133,891
12,074	Timber and Agriculture	9,502
61,769	Private Debt	56,657
93,352	Impact/ Local	140,860
2,199,591		2,350,219
309	Cash	87,968
2,199,900	Total investment assets	2,438,187

During the year the Fund transitioned assets as per the table below.

Manager / Mandate	Redemptions £000s	Subscriptions £000s
Russell (WPP) Global Opportunity Equity	(132,796)	
Russell (WPP) Global Sustainable Equity		317,110
Man Hedge Fund of Funds	(48,000)	
Insight LDI	(40,000)	
Russell (WPP) Emerging Market Equity	(119,314)	
Cash	(65,000)	88,000
	(405,110)	405,110

Note 13A: Reconciliation of Movements in Investments and Derivatives

	Market value 1st April 2023	Purchases during the year	Sales during the year	Change in market value	Market value 31st March 2024
	£000	£000	£000	£000	£000
Investment Assets					
Pooled Funds					
Multi asset credit	230,688	7,153	0	13,689	251,529
Diversified growth funds	262,537	15,000	(17,029)	22,758	283,267
Liability Driven Investment	663,896	0	(128,847)	117,868	652,917
Hedge Fund of Funds	159,281	0	(48,150)	9,999	121,129
Global equity	130,027	588	(132,812)	2,197	0
Emerging Market Equity	115,712	2,280	(119,314)	1,321	0
Sustainable Equity	0	318,059	0	26,442	344,501
Other investments					
Pooled property investments	133,422	8,639	(9,798)	(19,433)	112,829
Private equity and joint venture funds	205,945	32,872	(29,193)	13,225	222,848
Infrastructure funds	130,888	30,946	(15,459)	3,158	149,533
Timber and Agriculture	12,074	0	(2,921)	348	9,502
Private Debt	61,769	8,873	(6,580)	(2,756)	61,305
Impact / Local	93,352	55,449	(11,624)	3,683	140,860
Total investment assets	2,199,591	479,859	(521,728)	192,498	2,350,219
Cash deposits	309				87,968
Currency Profit	0			16	
Total assets	2,199,900			192,514	2,438,187

	Market value 1st April 2022 Restated £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31st March 2023 £000
Investment Assets					
Pooled Funds					
Multi asset credit	246,032	8,181	0	(23,525)	230,688
Diversified growth funds	273,120	0	(153)	(10,430)	262,537
Liability Driven Investment	596,076	390,000	(152,725)	(169,455)	663,896
Hedge Fund of Funds	157,982	0	(130)	1,429	159,281
Global equity	263,295	2,833	(125,497)	(10,604)	130,027
Emerging Market Equity	220,789	6,456	(90,000)	(21,533)	115,712
Other investments					
Pooled property investments	146,325	10,225	(5,805)	(17,323)	133,422
Private equity and joint venture funds	201,521	29,123	(50,454)	25,755	205,945
Infrastructure funds	124,721	13,591	(23,320)	15,896	130,888
Timber and Agriculture	14,125	0	(3,939)	1,888	12,074
Private Debt	52,592	12,572	(6,854)	3,459	61,769
Impact / Local	79,332	17,354	(9,515)	6,181	93,352
Total investment assets	<u>2,375,910</u>	<u>490,335</u>	<u>(468,392)</u>	<u>(198,262)</u>	<u>2,199,591</u>
Cash deposits	30,215				309
Total assets	<u>2,406,125</u>			<u>(198,262)</u>	<u>2,199,900</u>

Note 13B: Analysis By Fund Manager

2022/2023			2023/2024	
£000	%		£000	%
Wales Pension Partnership Investments				
476,427	21.7%	Russell Investments	600,678	25.5%
0	0.0%	GCM Grosvenor	15,642	0.7%
0	0.0%	Schroders	18,554	0.8%
476,427	21.7%		634,874	27.0%
664,205	30.2%	Insight	652,916	27.8%
262,537	11.9%	Mobius	283,267	12.1%
159,281	7.2%	MAN Group	121,128	5.1%
637,450	29.0%	Private Markets	658,034	28.0%
1,723,473	78.3%		1,715,345	73.0%
2,199,900	100%		2,350,219	100.0%

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK. Where the table above shows a holding of greater than 5% but the manager does not appear in the list below this is because investments are held in more than one fund.

2022/2023		Manager	Holding	2023/2024	
£000	%			£000	%
664,205	30.2%	Insight	652,916	27.8%	
		LDI Active 22 Fund			

Note 13C: Stock Lending

The Fund's Investment Strategy sets the parameters for its stock lending programme. The Fund participates in stock lending through its investments with WPP. At 31 March 2024 the total value of all WPP stock on loan was £473,209,901. Total net revenue during 2023/2024 was £915,594 of which the Clwyd Pension Fund received £30,960.

Note 14: Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2024 or 31 March 2023.

Note 15: Fair Value of Investments

Fair Value: Basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Investments and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: where quoted market prices are not available, valuation techniques are used to determine fair value based on observable data.

Level 3: where at least one input that could have a significant effect on the investment's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		these financial instruments		
Unquoted equity investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Level 2	Average of broker prices	Evaluated price fees	Not required
Unquoted pooled fund investments	Level 2	Average of broker prices	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds and hedge funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Property Funds and hedge funds where regular trading does not take place	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's	EBITDA multiple Revenue multiple Discount for lack of marketability	Valuations could be affected by changes to expected cashflows or by differences between audited

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Special Valuation Guidance (March 2020)	Control premium	and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024 and 31 March 2023.

2023/2024	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	14.8	112,829	129,528	96,131
Private equity and joint venture funds	24.6	222,848	277,669	168,028
Infrastructure funds	14.4	141,502	161,879	121,126
Timber and Agriculture	14.4	9,502	10,870	8,133
Private Debt	10.6	61,305	67,804	54,807
Impact/ Local	24.6	140,860	175,511	106,208
		688,847	823,261	554,433

2022/2023	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	15.3	121,233	139,781	102,684
Private equity and joint venture funds	24.4	205,945	256,195	155,694
Infrastructure funds	15.8	121,603	140,816	102,390
Timber and Agriculture	5.5	12,074	12,738	11,410
Private Debt	11.1	61,769	68,625	54,913
Impact/ Local	24.5	93,352	116,223	70,481
		615,976	734,378	497,572

Note 15A: Fair Value of Hierarchy

The following table shows the position of the Fund's assets at 31 March 2024 based on the Fair Value hierarchy:

Values at 31st March 2024	Quoted market price £000	Using observable inputs £000	Significant unobservable inputs £000	Total £000
Investment Assets				
Multi Asset Credit		251,529		251,529
Diversified growth funds		283,267		283,267
Liability Driven Investment		652,916		652,916
Hedge Fund of Funds		121,128		121,128
Global equity		344,501		344,501
Emerging Market Equity		0		0
Other investments				
Pooled property investments			112,829	112,829
Private equity and joint venture funds			222,848	222,848
Infrastructure funds	8,031		141,502	149,533
Timber and Agriculture			9,502	9,502
Private Debt			61,305	61,305
Impact/Local			140,860	140,860
Cash deposits	87,968			87,968
Total investment assets	95,999	1,653,341	688,847	2,438,187
Cash deposits	37,092			37,092
Total assets	133,091	1,653,341	688,847	2,475,279

Values at 31st March 2023	Quoted market price £000	Using observable inputs £000	Significant unobservable inputs £000	Total £000
Investment Assets				
Multi Asset Credit		230,688		230,688
Diversified growth funds		262,537		262,537
Liability Driven Investment		663,896		663,896
Hedge Fund of Funds		159,281		159,281
Global equity		130,027		130,027
Emerging Market Equity		115,712		115,712
Other investments				
Pooled property investments		12,189	121,233	133,422
Private equity and joint venture funds			205,945	205,945
Infrastructure funds	9,285		121,603	130,888
Timber and Agriculture			12,074	12,074
Private Debt			61,769	61,769
Impact/Local			93,352	93,352
Cash deposits	309			309
Total investment assets	<u>9,594</u>	<u>1,574,330</u>	<u>615,976</u>	<u>2,199,900</u>
Cash deposits	98,281			98,281
Total assets	<u>107,875</u>	<u>1,574,330</u>	<u>615,976</u>	<u>2,298,181</u>

Note 15B: Reconciliation of Fair Value Measurements Within Level 3

	Value at 31st March 2023 £000	Purchases £000	Sales £000	Unrealised gains and losses £000	Realised gains and losses £000	Value at 31st March 2024 £000
Other Investments						
Pooled property investments	133,422	8,639	(8,676)	(21,486)	931	112,829
Private equity and joint venture funds	205,945	32,872	(24,117)	(4,604)	12,754	222,848
Infrastructure funds	121,603	30,441	(14,172)	1,696	1,934	141,502
Timber and Agriculture	12,074	0	(2,470)	(914)	812	9,502
Private Debt	61,769	8,874	(5,954)	(3,383)	0	61,305
Impact/Local	93,352	55,449	(8,143)	(4,746)	4,948	140,860
	<u>628,165</u>	<u>136,275</u>	<u>(63,532)</u>	<u>(33,438)</u>	<u>21,379</u>	<u>688,847</u>

	Value at 31st March 2022	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2023
	£000	£000	£000	£000	£000	£000
Other Investments						
Pooled property investments	132,233	10,225	(4,388)	(7,230)	2,582	133,422
Private equity and joint venture funds	201,521	29,123	(47,568)	3,376	19,493	205,945
Infrastructure funds	114,553	13,112	(22,168)	13,787	2,319	121,603
Timber and Agriculture	14,125	0	(3,796)	118	1,627	12,074
Private Debt	52,592	12,572	(6,267)	2,872	0	61,769
Impact/Local	79,332	17,354	(7,437)	127	3,976	93,352
	594,356	82,386	(91,624)	13,050	29,997	628,165

Note 16: Classification Of Financial Instruments

2022/2023			2023/2024		
Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial Assets					
Pooled Funds					
230,688			251,529		
262,537			283,267		
663,896			652,916		
159,281			121,128		
130,027			344,501		
115,712			38,845		
Other investments					
133,422			112,830		
205,945			204,294		
130,888			133,891		
12,074			9,502		
61,769			56,657		
93,352			140,860		
309	98,281		87,968	37,092	
	0			0	
	431		397	506	
2,199,900	98,712	0	2,438,585	37,598	0
Financial liabilities					
		(744)			(794)
2,199,900	98,712	(744)	2,438,585	37,598	(794)

The table above analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

Note 17: Nature and Extent of Risks Arising From Financial Instruments

Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Clwyd Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other Price Risk: Sensitivity Analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2023/2024, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Assets exposed to price risk	Value £000s	3 year volatility range %	Value on increase £000s	Value on decrease £000s
As at 31 March 2023	2,298,181	8.26%	2,487,962	2,108,401
As at 31 March 2024	2,475,279	8.71%	2,690,785	2,259,774

Interest Rate Risk

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

Over the 12 months to 31 March 2024, long dated fixed interest gilt yields rose 0.5%.

Interest Rate Risk: Sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Interest rate risk is the risk that the fair value of the Fund's assets will be affected by changes in interest rates. The amount by which the fair value of the Fund's assets is affected by interest rates is not only determined by the size of the movement in interest rates but also by the duration of the assets. Duration is the measure of the how sensitive an asset is to changes in interest rates, therefore the higher the duration the greater the change in the fair value of assets when interest rates move. An example of the relationship between interest rates and duration is as follows: if interest rates increase by 1% and asset who has a duration of 2, would experience a 2% decrease (1%*2) in the fair value of its asset.

Assets exposed to interest rate risk	Value £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 2023	993,175	902,484	1,105,862
As at 31 March 2024	1,029,505	928,474	1,154,537

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 15%. A 15% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Currency risk: Sensitivity analysis

Assets exposed to currency risk	Value £000s	% change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2023	891,012	15.0%	1,024,663	757,360
As at 31 March 2024	886,977	15.0%	1,020,023	753,930

The table above shows the unhedged FX exposures within the portfolio, note the Fund has FX exposures elsewhere within the portfolio but these are hedged back to sterling to remove the FX risk.

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2024 were received in the first months of the financial year.

Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year, and as part of the triennial funding review, and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2024, liquid assets were £1,665m representing 67% of total fund assets (£1,584m at 31 March 2023 representing 72% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. The valuation is not carried out on the same basis as that used for setting fund contributions and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

2022/2023		2023/2024
£000		£000
2,398	Present value of promised retirement benefits	2,441
(2,298)	Fair value of scheme assets	(2,475)
100	Total	(34)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

2022/2023 %		2023/2024 %
2.70	Inflation/pension increase rate assumption	2.70
3.95	Salary increase rate	3.95
4.80	Discount rate	4.90

For reference, the Actuary's full report on the Triennial Funding Valuation as at 31 March 2022 can be found here:

<https://mss.clwydpensionfund.org.uk/documents/Actuarial%20Valuation%20Report.pdf>

Note 19: Current Assets

2022/2023 £000		2023/2024 £000
378	Long-term debtors	448
	Short-term debtors	
1,588	Contributions due - Employees	1,752
4,583	Contributions due - Employers	6,240
431	Prepayments	506
0	Interest Due	397
22	Sundry debtors	27
6,624	Total Short-term debtors	8,922
7,002	Total	9,370

Note 20: Current Liabilities

2022/2023 £000		2023/2024 £000
(166)	Contributions received in advance	(906)
(1,319)	Benefits payable	(1,786)
(14)	Administering authority	(12)
(16)	HMRC	(11)
(1,070)	Sundry creditors	(1,214)
(2,585)	Total	(3,929)

Note 21: Additional Voluntary Contributions (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Utmost Life and Pensions Limited. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the Prudential are shown overleaf.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

2022/2023 £000		2023/2024 £000
1,101	Contributions in the year	1,356
Value of AVC funds at 31st March:		
5,585	Prudential	7,104
289	Utmost (formerly Equitable Life)	279
5,874	Total	7,383

Note 22: Agency Services

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities, Coleg Cambria and some other employers. Amounts paid are fully reclaimed from the employer bodies.

2022/2023 £000		2023/2024 £000
430	Conwy County Borough Council	438
1,524	Denbighshire County Council	1,568
2,849	Flintshire County Council	2,960
17	Powys County Council	17
1,896	Wrexham County Borough Council	1,960
47	Coleg Cambria	50
51	Other employers	55
6,814	Total	7,048

Note 23: Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31 March 2024, four Members of the Clwyd Pension Fund Committee had taken this option, with one being in receipt of a pension.

Two of the four Co-opted Members of the Pension Fund Committee are eligible to receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council. Allowances amounted to £4,725 for 2023/2024 (£4,107 in 2022/23).

Flintshire County Council

During the year Flintshire County Council incurred costs of £2.5m (£2.3m in 2022/23) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 11.

Key Management Personnel

The key management personnel of the Fund during 2023/2024 were the Chair of the Pension Fund Committee, the Head of the Clwyd Pension Fund and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2022/2023 £000		2023/2024 £000
46	Short-term benefits	80
(176)	Post-employment benefits	101
(130)		181

Note 24: Contingent Liabilities and Contractual Commitments

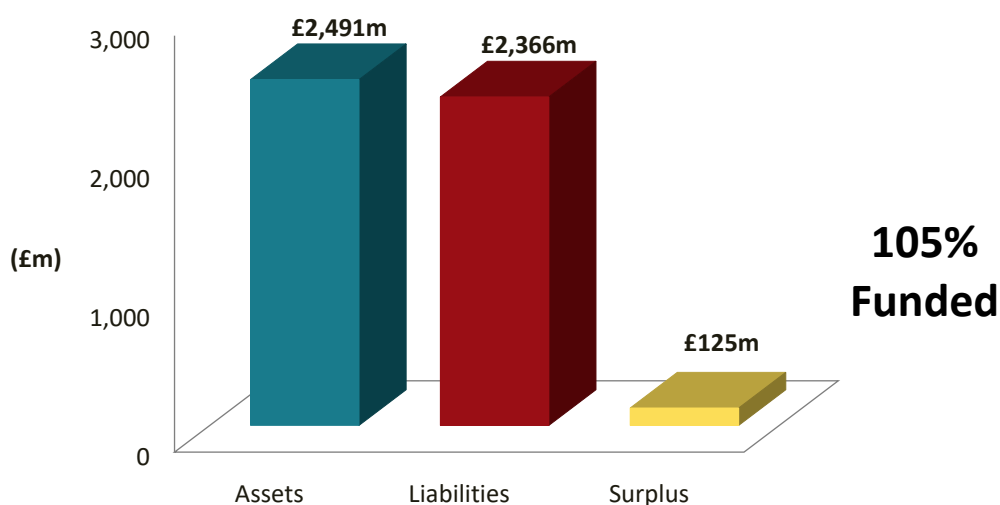
Outstanding capital commitments (investments) at 31 March 2024 were £420m (31 March 2023: £277m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the impact, private debt, private equity, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing and will depend on the investment period of each individual Fund.

Note 25: Clwyd Pension Fund Accounts For The Year Ended 31 March 2024 (Statement By The Consulting Actuary)

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £2,491 million represented 105% of the Fund's past service liabilities of £2,366 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £125 million.



The valuation also showed that a Primary contribution rate of 18.8% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 12 years. The total recovery payment (the "Secondary rate" for 2023/26) was, on average, a surplus offset of approximately £10.0m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.60% per annum	5.10% per annum
Rate of pay increases (long term)*	4.35% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

* for some employers allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.7% per annum
Rate of pay increases*	3.95% per annum	3.95% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.8% per annum

* This is the long-term assumption. An allowance in line with that made at the 2022 actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£2,398m
Interest on liabilities	£113m
Net benefits accrued/paid over the period*	(£14m)
Actuarial (gains)/losses (see below)	(£56m)
End of period liabilities	£2,441m

*this includes any increase in liabilities arising as a result of early retirements

Key factors leading to actuarial gains above are:

- Change in financial assumptions: Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.
- Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.
- Pension increases / recent high short-term inflation: The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited, July 2024

Statement of Responsibilities for the Statements of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

[SIGNATURE]

Cllr Dan Rose

Chair of the Pension Committee

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code The Chief Finance Officer has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2024, and its income and expenditure for the year then ended.

[SIGNATURE]

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

Audit Report

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

[INSERT AUDIT REPORT]

DRAFT

Section 5: Investments and Funding

Within this section there are references to the Fund’s Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). Links to both can be found in Section 7

Appendix 3: Investment Policy and Performance Report

The following report provides an update from an investment perspective on the activities of the Clwyd Pension Fund (the “Fund”) during 2023/2024.

Investment Strategy Statement (ISS)

When considering the Fund’s investments, it is appropriate to start with the overall investment objectives, which are set out in the ISS. The ISS is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objectives are:

- Achieve and maintain assets equal to 100% of liabilities within a 12-year average timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenants, 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 an 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 and 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 considerations.
- 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 other parties (as deemed appropriate) to enhance the Fund’s effectiveness in implementing these.
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund’s assets subject to it being able to meet the requirements of the Fund’s investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Each of these specific objectives have embedded within them the Fund's desire to incorporate sustainability in its long-term approach and to demonstrate that it is acting effectively as a responsible investor. As at the reporting date, the Fund's ISS was under review following the triennial investment strategy review.

The Fund's ISS was updated following a review of the investment strategy in 2024 in light of market conditions and liquidity requirements and was approved by the Committee at the March 2024 meeting.

Investment Strategy

The Fund's strategic asset allocation is shown in the table below:

Strategic Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range (%)
Developed Global Equity	15.0	10.0 – 20.0	0 – 30
TAA	11.0	9.0 – 13.0	0 – 20
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20
Risk Management Framework	28.0	10.0 – 35.0	0 – 40
Cash	5.0	2.5 – 7.5	0 – 10
Private Markets			
Property	4.0	2.0 – 6.0	0 – 8
Private Equity	8.0	6.0 – 10.0	0 – 15
Local/Impact	8.0	6.0 – 10.0	0 – 15
Infrastructure	6.0	4.0 – 8.0	0 – 15
Private Debt	3.0	1.0 – 5.0	0 – 6

The Fund's Investment Strategy is highly diversified and incorporates a Risk Management Framework. The aim of the Fund's strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. The Risk Management Framework is a key feature of the Fund's Investment Strategy and looks to manage a number of the key risks. This portfolio is explained in more detail in the Risk Management section of the Actuary's report.

Strategic Allocation versus Actual Allocations

Manager	Mandate	Actual 31/03/2023 (%)	Actual 31/03/2024 (%)	Strategic Allocation 2023/2024 (%)
Developed Global Equity				15.0
WPP	Sustainable Equity	0.0	13.9	15.0
BlackRock	Global Equity	5.7	0.0	
Emerging Market Equity				0.0
WPP	Emerging Equity	5.1	0.0	0.0
Hedge Funds				0.0
ManFRM	Hedge Funds	7.0	4.9	0.0
TAA				11.0
Various	Tactical Asset	11.5	11.4	11.0
Multi-Asset Credit				12.0
WPP	Multi-Asset Credit	10.1	10.2	12.0
Risk Management Framework				28.0
Insight	RMF	29.0	26.4	28.0
Strategic Cash and Liquidity				5.0
Insight	Strategic Cash and	0.0	3.6	5.0
In-House	Trustee Bank Account	4.3	1.5	
Private Markets				29.0
Various	Property	5.9	4.6	4.0
Various	Private Equity	8.8	8.9	8.0
Various	Local/Impact	3.9	5.8	8.0
Various	Infrastructure	5.6	6.0	6.0
Various	Private Debt	2.6	2.5	3.0
Various	Timber/Agriculture	0.5	0.4	0.0

Note: Total may not sum due to rounding.

The table above reflects the revised strategic allocation, which was agreed in March 2024. The implementation of the revised strategy was in progress at the time of writing.

During the 2023/2024 period, the Fund disinvested in full from both the Global Equity (WPP Global Opportunities Fund - Q2 2023) and Emerging Market Equity (WPP Emerging Market Equity – Q1 2024) mandates. Proceeds from both trades were invested into the WPP Sustainable Active Equity Fund.

The revised strategic allocation reflects a new strategic position, strategic cash. This position encompasses both the Trustee Bank Account and Cash held with Insight Investments. This position is due to be restructured over the coming year, with a focus on short term income generation to support liquidity needs of the Fund such as paying member benefits.

At the time of writing, the Fund’s Officers have submitted a full redemption from the Hedge Fund mandate and will look to distribute the proceeds across underweight allocations upon receipt.

Market Background: 12 Months to 31 March 2024

The 12-month period to 31 March 2024, proved to be a more positive market environment for investors. On a year-on-year basis to 31 March 2024, sterling returns for developed global market equities were positive at 22.5%. Sterling’s depreciation increased equity returns for unhedged UK investors. Overall, the positive momentum throughout the period has been driven by lower inflation data, positive earnings, and economic activity data.

During the period, market dynamics were significantly influenced by inflation and central bank policies. The UK’s headline inflation notably decreased to 3.4% in February 2024, a significant drop from its peak of 11% in October 2022. This period saw an increase in global sovereign bond yields as central banks across the globe implemented tighter monetary policies to mitigate the effects of rising inflation. Specifically, the Bank of England (BOE) opted to increase rates during the second and third quarters of 2023, in response to persistent core inflation and a strong labour market that showed no signs of abating. However, central banks halted rate hikes in the latter half of 2023, with the market beginning to anticipate several rate cuts throughout 2024. Despite these expectations, it became apparent in early Q1 2024 that central banks were likely to postpone the commencement of the rate-cutting cycle until later in the year, prompting a slight reversal in market expectations.

Furthermore, over the 12 months leading up to March 2024, there was a noticeable increase in the yield of UK 10-year gilts, which rose from 3.49% to 3.93%.

Investment Performance 2023/2024

The market value of the Fund has increased from approximately £1,204.1m in March 2014 to £2,475.2m in March 2024.

The table below shows a summary of the annualised investment performance over the last 10 years compared with the Fund’s benchmark and local government pension funds.

Period (Years)	Clwyd Pension Fund (% p.a.)	Clwyd Benchmark (% p.a.)	Average Local Authority (% p.a.)
1	+9.8	+13.1	+9.2
3	+5.2	+5.3	+5.3
5	+6.4	+6.7	+6.5
10	+7.6	+7.5	+7.6

Source: Mercer, PIRC.

The Fund posted a positive investment return of +9.8% for the 12 months to 31 March 2024, against a composite benchmark of +13.1%. Whilst underperforming the benchmark is of course not the desired outcome, this is expected to happen from time to time. Officers and the Committee have reviewed in detail how the portfolio performed, and the background to the performance is clearly understood.

The bigger picture that should be focused on is the overall funding position and financial status of the Fund, which is covered in more detail in the Actuary's report section. Overall, the funding position was estimated to be 109% as at 31 March 2024 (the date of the accounts) based on an update from the 2022 actuarial valuation, which showed a funding level of 105% at 31 March 2022. This was ahead of expectations by c. 5% taking into account that employers are using some of the surplus via reduced contributions.

It is also important to consider performance in context of a longer-term horizon. Over three years to the 31 March 2024, the Fund achieved a return of +5.2% p.a., compared with a benchmark of +5.3% p.a. Whilst over the last ten years the Fund has produced annualised returns of 7.6% p.a. net of all fees, well in excess of the discount rate and inflation over that period. This long-term performance has helped the Fund to be in the strong overall financial position that it finds itself in today.

Performance and Historic Strategy Positioning

The first table below demonstrates the performance of the existing underlying funds against their respective targets over the 10-year period to 31 March 2024.

The second table below documents the changes in the Fund's Investment Strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers.

Performance to 31 March 2024

Fund	Investment Manager	Q1 2024 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
Total		4.0	4.3	9.8	13.1	5.2	5.3	6.4	6.7	7.6	7.5
Total Equity		6.8	8.2	11.5	17.9	3.7	6.7	7.2	9.6	8.7	10.9
WPP Sustainable Equity	Russell	8.1	9.7	-	-	-	-	-	-	-	-
Total Credit		1.9	2.3	10.2	9.2	0.1	6.5	1.6	4.8	1.5	3.2
WPP Multi-Asset Credit	Russell	1.9	2.3	10.2	9.2	0.1	6.5	-	-	-	-
Total Hedge Funds		4.9	2.2	8.5	8.7	5.9	6.0	4.5	5.2	-	-
Hedge Funds	Man	4.9	2.2	8.5	8.7	5.9	6.0	4.5	5.2	-	-
Total Tactical Allocation		3.6	1.4	8.6	5.9	7.9	7.4	7.7	6.2	4.8	5.3
TAA	Various	3.6	1.4	8.6	5.9	7.9	7.4	7.9	6.1	4.3	2.5
Total Private Markets		1.4	2.2	1.9	8.5	12.3	6.8	8.9	5.9	10.9	6.4
Private Markets	Various	1.4	2.2	1.8	8.5	12.3	6.8	8.9	5.9	10.9	6.4
WPP Private Markets	Various	1.4	2.4	-	-	-	-	-	-	-	-
Property	Various	-2.7	0.6	-13.9	0.3	-3.0	2.0	-0.9	1.7	4.3	5.8
Local / Impact	Various	1.5	2.5	6.4	10.3	22.4	7.6	-	-	-	-
Timber/ Agriculture	Various	1.2	2.5	0.8	10.3	11.4	7.6	5.9	6.8	5.4	6.2
Total Private Equity		2.2	2.5	5.2	10.3	17.6	7.6	14.1	6.8	13.6	6.2
Private Equity	Various	2.2	2.5	5.2	10.3	17.6	7.6	14.1	6.8	13.6	6.2
WPP Private Equity	Various	0.0	2.5	-	-	-	-	-	-	-	-
Total Private Debt		4.5	1.8	9.1	7.5	12.2	7.5	6.3	7.5	-	-
Private Debt	Various	4.5	1.8	9.1	7.5	12.2	7.5	6.3	7.5	-	-
WPP Private Debt	Various	0.0	1.8	-	-	-	-	-	-	-	-

Fund	Investment Manager	Q1 2024 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
Total Infrastructure		2.0	2.5	6.2	10.3	15.8	7.6	8.8	6.8	12.4	6.2
Infrastructure	Various	2.0	2.5	6.2	10.3	15.8	7.6	8.8	6.8	12.4	6.2
WPP Infrastructure	Various	3.2	2.5	-	-	-	-	-	-	-	-
Total RMF		6.2	6.2	18.8	18.8	-2.9	-2.9	3.9	3.9	10.7	10.7
Risk Management Framework	Insight	6.2	6.2	18.8	18.8	-2.9	-2.9	3.9	3.9	10.7	10.7
Total Strategic Cash and Liquidity		-	-	-	-	-	-	-	-	-	-
Strategic Cash and Liquidity	Insight	-	-	-	-	-	-	-	-	-	-

Source: Investment Managers.

Note: Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. For periods over one year, the figures in the table above have been annualised. Total, Total Equity, Total Tactical Allocation, TAA & Total Credit includes performance of terminated mandates. Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach. Hedge funds, TAA and private markets portfolios performance has been estimated by Mercer. At the period end, the strategic cash and liquidity positions had only just been funded and so no meaningful performance data is available.

Supplementary Information Table: Performance Benchmark

Fund	Investment Manager	Performance Benchmark
Total		-
Total Equity		Composite Weighted Index
WPP Sustainable Equity	Russell	MSCI AC World (NDR) Index +2.0% p.a.
Total Credit		Composite Weighted Index
WPP Multi-Asset Credit	Russell	SONIA +4.0% p.a.
Total Hedge Funds		Composite Weighted Index
Hedge Funds	Man	SONIA +3.5% p.a.
Total Tactical Allocation		Composite Weighted Index

Fund	Investment Manager	Performance Benchmark
TAA	Various	UK Consumer Price Index +2.5% p.a. ¹
Total Private Markets		Composite Weighted Index
Private Markets	Various	Composite Weighted Index
WPP Private Markets	Various	Composite Weighted Index
Property	Various	SONIA +5.0% p.a.
Local / Impact	Various	SONIA +5.0% p.a.
Timber/ Agriculture	Various	SONIA +5.0% p.a.
Total Private Equity		Composite Weighted Index
Private Equity	Various	SONIA +5.0% p.a.
WPP Private Equity	Various	SONIA +5.0% p.a.
Total Private Debt		Composite Weighted Index
Private Debt	Various	Absolute Return +7.5% p.a.
WPP Private Debt	Various	Absolute Return +7.5% p.a.
Total Infrastructure		Composite Weighted Index
Infrastructure	Various	SONIA +5.0% p.a.
WPP Infrastructure	Various	SONIA +5.0% p.a.
Total RMF		Composite Liabilities & Synthetic Equity
Risk Management Framework	Insight	Composite Liabilities & Synthetic Equity
Total Strategic Cash and Liquidity		SONIA
Strategic Cash and Liquidity	Insight	SONIA

Note: Performance benchmark for WPP Sustainable Active Equity portfolio includes an outperformance target.

¹UK Consumer Price Index +2.5% p.a. based on the 20-year breakeven inflation spot rate.

Historic Strategy Positioning

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	2024 (%)	LGPS Average (%)
Equities										
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	5.0	-	-	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	-	-	-	
Global Developed (ESG)	-	-	-	-	-	-	5.0	15.0	15.0	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	-	-	
UK Active (Traditional)	35.0	29.0	15.0	-	-	-	-	-	-	
UK Active (Portable Alpha)	10.0	10.0	12.0	-	-	-	-	-	-	
US Active	7.0	8.0	5.0	-	-	-	-	-	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	-	-	-	-	-	
Japan Active	4.0	4.0	4.0	-	-	-	-	-	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	-	-	-	-	-	
Emerging Markets Active	2.5	3.0	4.0	7.0	6.5	6.0	10.0	5.0	-	
Frontier Markets Active	-	-	-	-	2.5	-	-	-	-	
Developed Passive	-	-	-	19.0	-	-	-	-	-	
	72.0	66.0	55.0	43.0	17.0	14.0	20.0	20.0	15.0	51.0
Fixed Interest										
Traditional Bonds	10.0	9.5	-	-	-	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	-	-	-	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	2024 (%)	LGPS Average (%)
Unconstrained	-	-	13.0	15.0	15.0	12.0	12.0	12.0	12.0	
Private Debt (illiquid)	-	-	-	-	-	3.0	3.0	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	-	5.0	
	14.0	12.0	13.0	15.0	15.0	15.0	15.0	15.0	20.0	23.0
Risk Management Framework	-	-	-	-	19.0	19.0	23.0	23.0	28.0	
Alternative Investments										
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	8.0	8.0	6.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	-	-	-	
Commodities	-	-	2.0	4.0	-	-	-	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	8.0	8.0	8.0	
Local/ Impact	-	-	-	-	-	-	4.0	6.0	8.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	5.0	-	
Currency Fund	-	4.0	4.0	-	-	-	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	-	-	-	
Tactical Allocation (TAA Portfolio)	-	-	-	-	9.0	11.0	11.0	11.0	11.0	
	14.0	22.0	32.0	42.0	49.0	52.0	42.0	42.0	37.0	26.0

Responsible Investment

The Fund's ISS includes the full Responsible Investment Policy and includes the approach to Investment Pooling, Stewardship and Engagement and Reporting and disclosure. The Policy includes the Fund's Responsible Investment beliefs, and a set of Principles.

The Fund has continued to progress significantly in the work undertaken over the past year. Progress has been made across all of the strategic Responsible Investment Priorities as detailed in the ISS.

The Committee previously agreed a target for the investments in Clwyd Pension Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund has also continued to deploy allocations into sustainable private market investments, many of which have direct impact focus, with some allocations designed to directly benefit the Fund in the local area.

The Committee have received a series of dedicated training sessions across a range of Responsible Investment areas and the Fund continues to take actions that place it at the forefront of the Responsible Investment landscape.

During this period, the Fund successfully submitted its second application to the Financial Reporting Council's UK Stewardship Code, receiving confirmation of signatory status in February 2024.

Officers with support of their investment consultant, Mercer, also set up a framework specifically relating to responsible investment over the period, focusing on specific areas of exclusion for the listed equity proportion of the Fund's investments. The framework is outlined below, and can be found on page 9 of the Fund's Investment Strategy Statement:

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%

Engagement and Voting

The Fund requires that its managers report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2023/2024 is shown in the following table.

Manager/Fund	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Russell WPP Sustainable Active Equity	n/a	n/a	n/a	n/a	n/a	n/a
TAA Portfolio						
BlackRock US Opportunities	109	1,523	1,492	31	6	0
LGIM Future World North America Equity Index	560	7,784	5,070	2,697	3	14
LGIM Future World Japanese Equity	323	3,967	3,532	435	0	0

Source: Investment Managers.

Note: At the time of writing the WPP Sustainable Active Equity Fund voting information was not available. Insight Maturing Buy and Maintain Bond Fund, Insight Short Dated Buy and Maintain Fund, LGIM Sterling Liquidity Fund, LGIM Over 5-year Index-Linked Gilts, LGIM Over 15-year Gilts, LGIM Emerging Market Passive Local Currency Government Bond Fund and the NB US Put-Writing strategy do not have voting data. Figures may not sum due to rounding.

United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. The Fund's major asset managers are all UN PRI signatories. For sake of completeness, Russell are not considered a direct manager of assets as they manage a portfolio of underlying investment

managers. These underlying investment managers are being encouraged to become signatories to the UN PRI.

Private Market Holdings

A summary of each of the private market holdings within each asset class is provided at the end of the section.

During the year, the following commitments were made to local/ impact or sustainable funds:

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
Q-Energy Private Equity	Q-Energy Fund V	10	Q-Energy V is a European renewables value-add infrastructure strategy that seeks to assemble a portfolio of primarily small-scale solar and wind farms as well as energy storage and biogas with focus on Germany, Spain, Italy and Poland.
Ambienta	Ambienta Sustainable Credit Opportunities	10	Ambienta Sustainable Credit Opportunities is a direct lending fund aiming to lend to “environmental champions”, companies based in Europe who will be the expected beneficiaries of long-term secular environmental trends, categorized into two main themes: Resource Efficiency and Pollution Control.
Bridges Fund Management	Bridges Property Alternatives Fund VI	10	Bridges Property Alternatives Fund VI is a UK-focused Real Estate Fund that will invest in assets where a demonstrable positive social or environmental impact can be attained through a value-add asset management approach.
Mercer	Mercer Private Investment Partners VII – Global Impact	40	PIP VII Global Impact is a diversified private markets solution that aims to deliver positive environmental and social impacts targeting underserved needs across multiple themes, topics and regions while providing attractive risk-adjusted returns across a well-diversified portfolio of companies and assets with strong ESG credentials.

Note: Where appropriate, Euro (€) denominated commitment amounts have been converted into Sterling (£) commitment amounts using the exchange rates at the time the commitment was made.

Social Impact

In 2023, the Fund engaged 'The Good Economy' (TGE) to assess the social impact of the Fund's UK private market investments as at 31 March 2023. Using TGE's Place-Based Impact Reporting Framework, TGE mapped and classified the local, regional and national contributions to inclusive economic development that the Fund's portfolio of investments is making. This allows the Fund to communicate its social impact clearly and effectively to stakeholders of the Fund.

A summary of some of the key highlights from the report are noted below:

- 19.7% of the Fund's Impact and Place-Based portfolio has been invested in Wales.
- 86 SME businesses have been supported through equity or debt finance since 2013, 20 of these are located in Wales.
- Over 13,400 people are employed and at least 1,800 jobs have been created in these businesses during the period of the Fund's investment (11% jobs and 12% jobs created in Wales).
- 3,369 new homes have been developed in areas where lower-cost homes are needed, 27% of these are affordable housing.
- 34 educational facilities have been acquired, with 2,700 additional child spaces created (85% nursery spaces, 10% SEN, 5% independent school places).
- £50 million committed to the development of clean energy in Wales to begin being deployed in 2023.

Further information as well as further examples of how investment is supporting Wales, and the UK is detailed in full within the full report from TGE.

The Fund has since engaged TGE to re-assess the Fund, however, at the time of writing the analysis was in progress.

Private Market Fund Holdings: Summary

Please see the following table for a summary of the private market holding of the Fund as at 31 March 2024.

Asset Class	Number of Funds
Property Open Ended Holdings	5
BlackRock UK Property	1
CCLA (LAMIT)	1
Hermes	1
Legal & General	1
Schroders	1
Property Closed Ended Holdings	19
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
Darwin Leisure Property	2
InfraRed Active Property	3
Newcore	2
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
Timber	4
BGT Pactual Timberland	1
Stafford Timberland	3
Agriculture	2
Insight Global Farmland	1
TRG Farmland	1
Infrastructure	22
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Brookfield Global Transition	1
Carlyle Global Infrastructure	1
Copenhagen Infrastructure Partners	1
GSAM West Street Infrastructure	1
HarbourVest Real Assets	1
Hermes Infrastructure	1

InfraRed Infrastructure	3
Infravia European	1
Innisfree Secondary	1
JP Morgan Infrastructure	1
North Haven Global Infrastructure	3
Pantheon	1
Partners Group Direct Infrastructure	1
Q Energy V	1
Sandbrook Climate Infrastructure	1
WPP Global Infrastructure Fund	1
Private Equity Direct Funds	29
Access Capital	1
Activate	1
Apax	5
Astorg	1
August Equity	2
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Capvest	1
Dyal Capital Partners	1
ECI	2
FSN	1
Livingbridge	1
Marquee	1
North Haven	1
Oakley	1
Partners Direct	2
Permira	1
Unigestion	1
Private Equity Fund of Funds	30
Access Capital	4
Capital Dynamics	6

HarbourVest	4
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2
WPP Private Equity	1
Local / Impact	25
Ambienta	1
Aviva	1
Bridges	7
Capital Dynamics	1
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Fairfax	1
Foresight	2
Generation	1
Harbour Vest	1
Hermes	1
Impax	2
Mercer PIP VII Global Impact Fund	1
Partners Group	1
Private Debt	11
Ambienta	1
BlackRock	1
Bridgepoint	1
Carlyle Group	3
Neuberger Berman	2
Permira	1
Pinebridge	1
WPP Private Debt	1

Appendix 4: Funding and Flightpath Review

An update from the Actuary

I am delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2023/2024. This continued to be an interesting and challenging period given the continued higher interest rate environment and the gradual decline of inflation expectations over the year from some of its highest levels, as well as ongoing economic and political challenges across the world.

It is again pleasing to see the continued resilience of the Fund which has resulted in improved financial health due to the Risk Management Framework in place, supported by the strong Governance Framework which allows decisions to be made quickly and effectively. It is pleasing to see that the most recent March 2024 update showed an estimated funding level of 109%.

The Risk Management Framework has been integral in achieving the strong funding position and will help provide overall contribution stability. The ongoing challenge is to maintain this and improve further if possible. The interim funding review later in 2024 will be a key part of those discussions and will inform the 2025 actuarial valuation, which will determine the employer contributions from 1 April 2026.

This will consider the sustainability of funding and contributions in the longer term taking into account budgetary constraints and their impact on local services. We will also need to be cognisant of other material risks such as climate change impacts. This is a delicate balance that requires careful planning and ongoing monitoring supported by a clear but nimble governance framework.

Risk Management Framework

A critical aspect of managing risk relates to the Risk Management Framework, which is central to providing stability of funding and employer contribution rates in the long term. This strategy has been in operation from 2014 and the original objective was to reach a 100% funding level by 2026. This objective has been materially exceeded to date and the main focus is to sustain this position over time.

Over the year, the level of UK government bond (gilt) exposure within the framework increased as the Fund locked into these assets at attractive prices. This gilt exposure provides the Fund with a return above inflation in a low risk way, providing increased certainty of returns in an uncertain economic environment.




The funding position was estimated to be 109% as at 31 March 2024 (the date of the accounts) based on an update from the 2022 actuarial valuation, which showed a funding level of 105% at

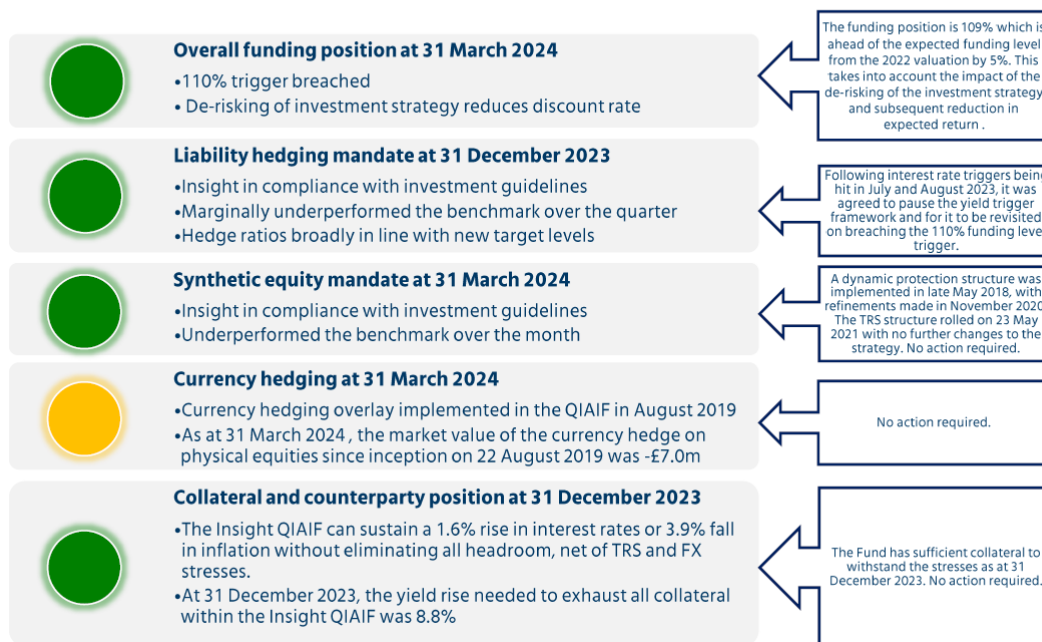
31 March 2022. This was ahead of expectations by c. 5% taking into account that employers are using some of the surplus via reduced contributions.

A key milestone was hit in February 2024, as the funding level breached the 110% trigger, prompting asset strategy de-risking activity in line with the protocol agreed with the Committee. The intention of taking this action is to provide further certainty and stability around expected future contributions. The de-risking resulted in equity exposure (equivalent to c. 6% of total Fund assets) being reduced in late March 2024 and has served to reduce the level of investment risk within the Fund in an affordable way for employers.

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Risk Management Framework run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore, we continue to monitor the framework on a monthly basis using a red/amber/green (“RAG”) rating system and the summary at March 2024 is shown below.

Executive summary

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



It can be seen that all aspects were in line with expectations, apart from the currency hedging mandate, which is rated “amber” at 31 March 2024 due to incurring a loss since inception due to global currency movements versus sterling. In isolation, the purpose of the currency hedging mandate is to reduce volatility within the Fund due to changes in exchange rates. As such, it is important to note that the loss here is expected to have been offset by an equivalent gain in the value of the Fund’s assets due to changes in exchange rates – resulting in no net loss overall to the Fund.

How has the Risk Management Framework evolved over the year?

Continued increases in gilt yields during the period following March 2023 led to interest rate market triggers within the framework being hit, increasing the gilt exposure within the Fund. The trigger framework was then paused in September 2023, pending a review of the Fund's investment strategy and wider liquidity requirements, which is currently ongoing.

Over the year, the strategy evolved to align more closely with the Fund's climate beliefs, which resulted in the equity exposure being transitioned to the MSCI World Paris Aligned Index. Following the 110% funding level trigger breach during February 2024 and in line with the agreed de-risking approach, the exposure to MSCI World Paris Aligned Index equity was removed in late March 2024 to achieve the overall reduction in equity exposure across the Fund.

The framework will continue to be monitored as part of the regular Funding and Risk Management Group (FRMG) meetings between Officers and advisers in line with the delegations from the Committee.

In summary the year has once again been challenging to navigate but the Fund has been resilient and remains in an even stronger position than last year. Whilst there are many ongoing challenges for both the Fund and employers, I remain confident that we remain able to respond to these challenges given the strong financial and governance frameworks in place.

Paul Middleman FIA

Fund Actuary and Pensions Advisory Panel member

Section 6: Administration

Introduction

This section of the report describes the way in which the Fund delivers its administration related services to members and employers. It identifies current and potential future challenges and explains the way in which the Administration Team is meeting them. The report also includes Key Performance Indicator information and some information on the membership of the Scheme.

The work of the Administration Team is driven by the Fund's Administration and Communications Strategies.

Our Pensions Administration Strategy ensures that both the Fund and the employers are fully aware of their responsibilities under the Scheme and outlines the performance standards they are expected to adhere to, to ensure the delivery of a high-quality, timely and professional administration service.

Our Communication Strategy outlines how we communicate with scheme members and prospective members, scheme employers, the Clwyd Pension Fund Committee, the Clwyd Pension Fund Board, Clwyd Pension Fund staff and other interested organisations.

The chosen methods of communication are monitored and reviewed to ensure they are effective. The main means of communication with the above stakeholders are outlined in the Communications Strategy focusing on ensuring communications are more relevant to the audience and the use of technology to provide quicker and more effective communication. The Communication Strategy and Pensions Administration Strategy are available to view on the Fund's website.

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

How our service is delivered

The day-to-day administration service is provided by the Pension Administration Team via a hybrid combination of both home and office working. The Team consists of a total of 54.1 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager and 5.7 current vacant positions.

It is split between:

- an Operational Team
- a Technical and Payroll Team
- a Regulations and Communications Team
- an Employer Liaison Team (ELT)

- a McCloud Team (temporary)
- a Project Team

It is separate from the Finance Team which manages the Fund's investment portfolio, collects pension contributions from employers and maintains the Fund's accounts.

The Operational Team delivers a pensions service for over 50,000 scheme members. This includes the calculation of various benefits, transfers in and out with other pension arrangements, refunds of contributions and maintenance of individual scheme member records. The Team not only calculate pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

The Technical and Payroll Team implements and maintains the pension software systems (including the on-line facilities of Member Self-Service, and I-Connect for employer data uploads), collects and reconciles member data from all Fund employers and provides a pensioner payroll service for over 15,000 pensioners and dependents paying more than £6 million per month.

The ELT provides assistance to Fund employers in providing accurate and complete notifications to the Fund ensuring business as usual responsibilities are met in addition to ad hoc project work. The Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

The Project Team officially formed in June 2024 and is mainly responsible for the preparation of data in readiness for the launch of the National Pensions Dashboard. The team will also assist with specific pieces of work allowing the Operational Team to focus on member driven events.

The Communications Team provides information to members and employers via various methods including the Fund's website. The team provides training to employers explaining their responsibilities whilst also ensuring the Communication Strategy is adhered to in all aspects of communication.

The McCloud judgment 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. Implementing the McCloud remedy has involved a large-scale retrospective data collection exercise, which is nearing completion. It has had 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, the Fund has a dedicated McCloud team.

Summary of Activity

In addition to this day-to-day work during 2023/2024 the Pension Administration Team has been managing other major pieces of work and projects as described below.

Data Quality

Data quality requirements are embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator (TPR) has oversight of this area within the LGPS. The Administration Team collectively work to the data improvement plan in readiness for the annual review of common and scheme specific data, the results of which are reported to TPR. The effect of the time and effort that is dedicated to ensuring good data quality has led to high common and scheme specific data scores over recent years (see table overleaf). Address tracing exercises for those members where the Fund does not hold an up-to-date address will be completed in preparation for on-boarding to the Pension Dashboard. This will increase the Common Data score.

	Common Data %*	Scheme Specific Data %*
2023 / 2024	97	98
2022 / 2023	98	98
2021 / 2022	98	98
2020 / 2021	98	97
2019 / 2020	97	97
2018 / 2019	97	93

*The score is the % of data that has met specific targets set by TPR in relation to Common Data (NINO, Name, Address etc.) and Scheme Specific Data (Member benefits, Member details, His Majesty's Revenue and Customs (HMRC) details etc.). The score is reported back to TPR and a data improvement plan is put in place to improve scores where it is relevant to do so.

Key Performance Indicator Monitoring

The Fund measures and reports monthly performance to ensure timescales are being met, as set out in the Fund's Administration Strategy. The Fund currently measures 13 categories of workflow, separately considering timescales in relation to legal requirements (where appropriate), the overall member experience and the Fund's internal target.

Monthly employer reports are produced to assist with identifying employers who have or have not met their Service Level Agreement timescales. This measure has helped the Fund and employers understand what is being achieved and where improvements are required. A review of these reports is nearing completion along with the escalation process in place if timescales are not being met. The review will provide reassurance to the Fund and employers that the reports correctly reflect the monthly activity and will help to identify any issues.

i-Connect

i-Connect is an electronic data system which ensures timely and accurate data is provided to the Fund on a monthly basis and replaces the historical year end return process. The functionality includes the notification of new starters, leavers, name changes, address changes and job changes. The system allows member details extracted from their employer's payroll systems to be directly uploaded to the Funds administration system. Currently 98% (54 out of 55 employers) submit data relating to active members via i-Connect. The last remaining employer is transitioning to a new payroll provider and part of that process includes on-boarding to i-Connect. Training is provided to all new employers to the Fund as they are required to submit data via i-Connect as detailed in the Administration Strategy.

Clwyd Pension Fund Website

The Clwyd Pension Fund website contains information about the Fund and the scheme for both current and prospective members along with information for Fund employers. All the Fund's policies and strategies as well as information on the investments of the Fund are available on our website at <https://mss.clwydpensionfund.org.uk>

Within the website (which includes access to the Member Self Service portal) there are multiple sections to help users navigate their way around and to find the information which they are looking for. With the recent introduction of editable forms, members can complete certain forms on-line if they wish making some processes where possible more efficient. The fund is also developing a suite of explanatory videos. These can be found at: <https://mss.clwydpensionfund.org.uk/videos/>

The website has undergone a content and formatting review during 2023/2024. The content has been updated, formatted into plain language, and new web pages have been created to make content easier to find. Usage of the website is monitored and quarterly reports are generated to establish how many visits the website has had and what information members are interested in by identifying the pages members visit. The Fund is also able to report on the number of views that our videos achieve. These reports are included in the report pack provided to Pension Board.

In line with the website accessibility regulations, public sector websites are required to meet national accessibility standards and to publish an accessibility statement on their websites. To meet the government's requirements, websites must achieve level A of the Web Content Accessibility Guidelines (WCAG 2.2). This means that websites should be accessible to people with impairments to their vision, hearing, mobility and thinking and understanding. Accessibility should also be considered for those visiting websites via a tablet, mobile phone or other devices.

To ensure compliance with WCAG, the Fund continues to work with a company who provides reporting software which allows each page on the Fund's website to be automatically analysed

on a weekly basis. The reports allow us to see where our scores can be improved and where areas of the website need to be amended or fixed in order to be compliant.

The table below shows 31 March 2024 scores compared to 31 March 2023 in relation to certain areas within website accessibility. Over the year, the quality assurance and digital certainty percentage dropped slightly whilst the website content review was being undertaken. Since completion of the exercise the percentages have increased and will be reported in 2025.

	31/03/2023	31/03/2024
Digital Certainty Index	91%	89%
Quality Assurance	99%	93%
Accessibility	91%	92%
Search Engine Optimisation	82%	82%

Communications policy

The Clwyd Pension Fund's communication policy sets out our communication targets with our members and employers. Our policy can be found in Section 7 of this annual report. Member communications are issued based on each members' communication preference. This can be either postal or electronic via our Member Self Service online portal. The Fund also provides in-person and online events for members such as 121s and webinars.

The Clwyd Pension Fund has also issued multiple member communications during 2023/2024:

	Active members	Deferred members	Pensioner members
Newsletter	December 2023	November 2023	April 2023 & December 2023
Annual Benefit Statements, guide and video	August 2023		
Deferred Benefit Statements, guide and video		June 2023	
Pension Saving Statements	October 2023		
Pensions Increase / Lifetime Allowance letters			April 2023
Member Self Service registration video	May 2023	May 2023	May 2023
Member Self Service promotional flyer	December 2023	November 2023	

In addition to the above mentioned communications, the Clwyd Pension Fund has guides and factsheets available all year round which can be found on the website <https://mss.clwydpensionfund.org.uk/lgps/forms-and-resources/>

Member 1-2-1 Sessions

Member 1-2-1 sessions are available all year round on request either online (over the phone or via Microsoft Teams) or face to face.

For 2023/2024, the Communications Team met with a number of both active and deferred members. Below are the statistics for 2023/2024:

No of 1-2-1 appointments booked (active members)	54
No of 1-2-1 appointments booked (deferred members)	2
No of 1-2-1 appointments booked (member was both active and deferred)	9
No of 1-2-1 appointments booked (TOTAL)	65
Members attending their scheduled appointment	61
Members not attending their scheduled appointment	4

Of the two deferred appointments attended, one was in person and one was online. Of the 59 active appointments attended, 24 were in person and 35 were online.

Communications with our employers

Employers receive their communications and LGPS updates from the Fund via email. These updates are sent using an employer email distribution list. Each employer should inform us which email addresses should be added or deleted from the list.

The Fund also hosts employer engagement sessions allowing employers to share best practice ideas and have face to face discussions. A number of in person and on-line training sessions have also been provided to employers throughout the year.

Employer Liaison Team (ELT) Services

The ELT currently assists employers whose membership accounts for 65% of the Active Fund membership. During 2023/2024 the ELT has worked with the wider Pensions team to streamline the process of data uploads, reducing the steps needed and making the reporting process more transparent. The Key Performance Indicators (KPIs) of the ELT and the ELT employers will be a focus for the coming year.

The McCloud Programme is now almost complete with just the final tranches of query data being reviewed and the most complex parts of the data being collated.

A more 'deep dive' approach was taken with the March i-Connect files this year, allowing the team to review the queries prior to the Fund running their Year End Reports. This led to significantly less queries outstanding and further improvements being identified for next year.

Recently the support provided by the ELT has expanded to include a significant piece of work on behalf of a new employer and to provide additional support to a current employer for a temporary period of time.

Scheme changes and national developments affecting administration and communications

McCloud Remedy Case

The Court of Appeal ruling in the McCloud court case determined that the protections given to older members on the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful age discrimination. The case impacts other public service pension schemes including the LGPS where the new CARE scheme from April 2014 included a statutory underpin for older members. The Ministry for Housing Communities and Local Government (MHCLG) (now DLUHC) issued a consultation in July 2020 setting out its proposals for implementing the McCloud judgment in the LGPS. The remedy proposals of the 2020 consultation focused on the removal of any direct age discrimination from the onset of the 2014 scheme.

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 and statutory guidance are in place for the main element of the remedy, further updates are still required before areas such as calculating the impact of excess service for teachers and new member events can be progressed.

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. The collating and uploading of data has been more time consuming and complex than originally thought. The McCloud Programme Management Group (PMG) along with the Pension Committee and Board are provided with regular progress reports.

Once all 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 early 2024.

National Pensions Dashboard

The National Pensions Dashboard is a Government initiative intended to allow all pension savers in the UK access to view the values of all their pension pots, including state pension, through one central platform. All pension schemes must connect to the dashboard infrastructure by their “staging date” as determined by the Department for Work and Pensions (DWP) with the dashboards made publicly available shortly after schemes have onboarded. The staging date for all public sector pension schemes including the LGPS is 31st October 2025.

The Pensions Regulator has set out guidance on what schemes need to do to prepare for the dashboard. In response to this the Administration Team have created a Project Team which will undertake the work required. The Pensions Administration Manager continues to attend regular meetings with both Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team.

TPR’s General Code of Practice

TPR’s new General Code of Practice came into force on 28 March 2024 and Fund officers have been considering and assessing compliance with the requirements of the Code. Many of the Code’s modules include areas relating to legal requirements that must be adhered to whilst other areas are good practice. Work in this area will continue into 2024/2025.

Other Expected National Changes

There are a number of further changes that are expected in due course but the final details of the impact of them and the timescales are not yet available. These include the following changes that are detailed below. These explanations are based on the situation in June 2024.

Cost Management

When the Public Sector Pension Schemes (including the LGPS) were reformed in 2014/2015 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 judgment, 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 20 to 22 February 2024. On 17 April the SAB

reported that the full judgment in the Fire Brigades Union and British Medical Association vs HM Treasury Cost Control Mechanism appeal had been published. The Court of Appeal upheld the High Court's March 2023 ruling in favour of HM Treasury on all grounds. This is likely to continue as the Fire Brigades Union may seek permission to take this to the Supreme Court. As a result of concerns regarding the cost control mechanism not meeting its original objectives, a review was carried out by the Government Actuary. HM Treasury also 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). A separate DLUHC consultation to amend the LGPS SAB cost management process which operates in addition to the Treasury process was also completed. As a result, no proposed changes have been put forward to amend any member benefits or contributions.

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.

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

In February 2022 the Finance Act 2022 received Royal Assent. The 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 accordingly and currently there has been no indication from DLUHC whether they intend to make these changes.

In the meantime, the Fund needs 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.

Strategy Measures

Member Self-Service (MSS)

MSS allows scheme members to log into a secure web area to view the information which is held on their pension account.

MSS enables our members to:

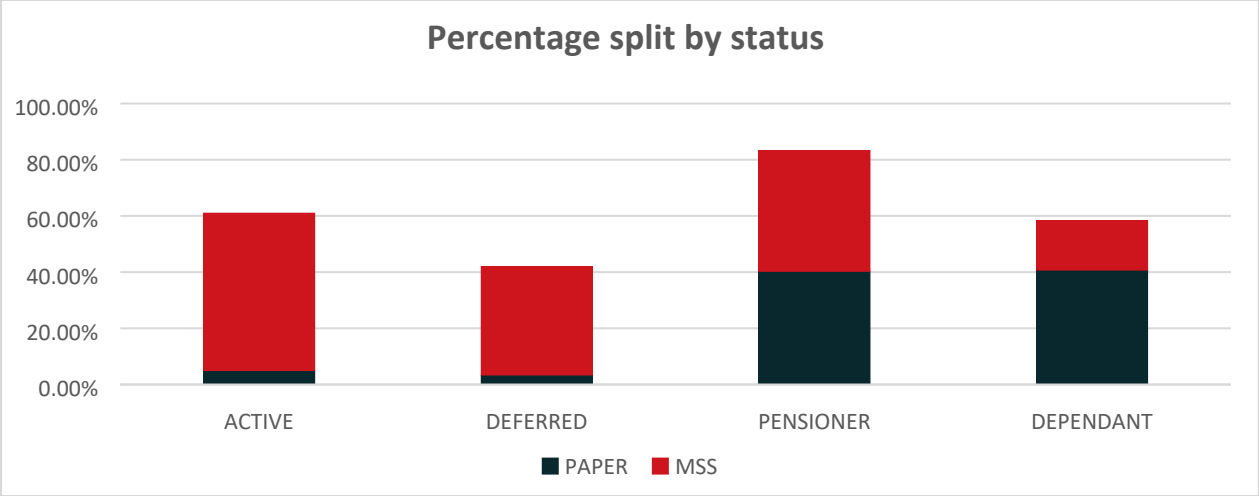
- update their personal details
- run estimates for retirement using their chosen retirement dates
- run estimates for cash equivalent transfer values (only available for deferred members to transfer their pension benefits to a new pension provider)
- amend their death grant beneficiaries
- request retirement packs for deferred members who want to start receiving their pension
- view all member specific documents (for example, annual benefit statements) and
- upload completed forms for Clwyd Pension Fund to process

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

As of 31 March 2024, 55% of the Fund's membership had registered for MSS compared to 52% as at 31 March 2023. During the period 01/04/2023 to 31/03/2024 53% of registered members logged on to MSS. As of 31 March 2024, 19% of the Fund's membership had registered for paper post compared to 17% as at 31 March 2023.

In summary, 74% of our membership are engaged and have chosen either MSS or paper post for communication purposes. The Clwyd Pension Fund endeavours to engage with members who have not chosen a communications preference to ensure they do not lose contact with us. The Fund regularly carries out MSS promotional exercises to encourage members to make a communication preference.

The ratio of paper versus MSS communication preference can be broken down into the different membership status types as seen in the following graph.



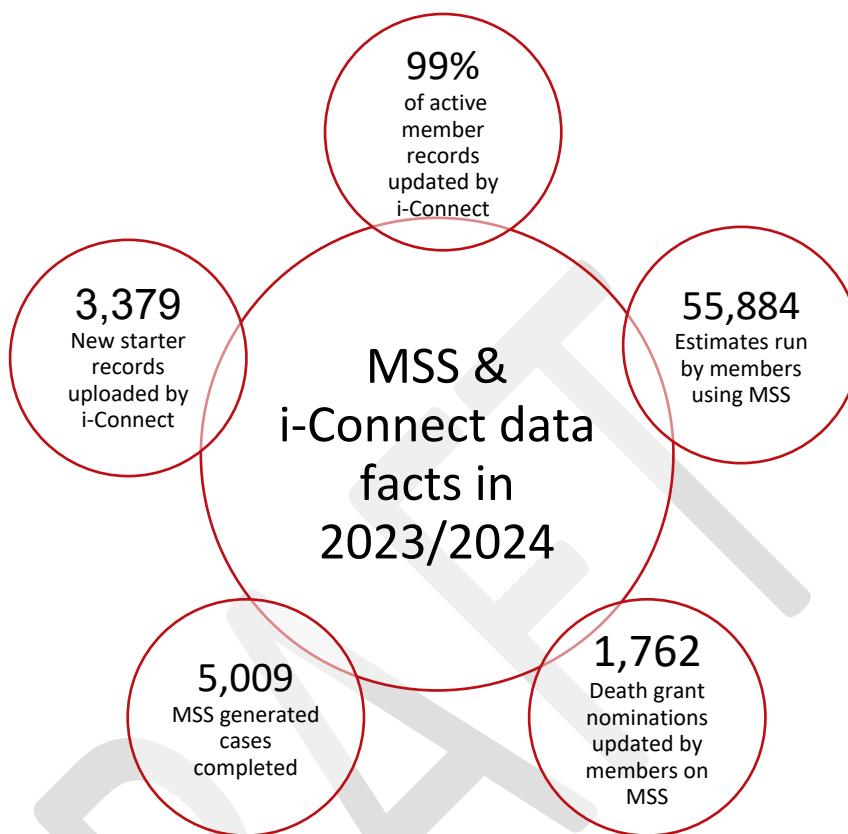
Of those members who are registered to use MSS, their age ranges vary across the board. The graph below shows the age demographic of our MSS users.



MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members’ MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

Members are also able to upload completed forms to their MSS accounts for the Fund to then progress payment of their benefits quicker. Ongoing improvements to the functionality and promotion of MSS will continue during the next 12 months.

MSS and i-Connect Statistics



Scheme Membership details

This section includes a range of information relating to the numbers of staff, employers and scheme members during 2023/2024.

Full time equivalent staff in the Pension Administration Team 42*	Total Fund members 52,870	Ratio of staff to members of Fund 1:1259	Average cases completed per member of staff 699
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*Excluding ELT and McCloud

Summary of Employers as at 31 March 2024

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	17	21	38
Total	52*	41	93

*excluding 3 Councillor employers

New Pensioners 2023/2024

Retirement Type	Number of Retirements
Ill Health	37
Early	661
Normal Retirement Age (NRA)	22
Late	142
Redundancy / Efficiency	21
Flexible	20
Trivial Commutation	92
Total	995

Member Trends

Year	Contributors	Deferred (including undecided & frozen refunds)	Pensioners	Dependant Pensioners	No. of Redundancy & Efficiency enhanced benefits	No. of Ill Health enhanced benefits: Tier 1 only
2020/2021	17,542	17,275	12,996	2,041	43	21
2021/2022	17,073	17,888	12,613	1,921	25	34
2022/2023	17,671	18,424	13,161	1,990	16	20
2023/2024	17,813	18,377	14,416	2,258	21	28

Analysis of Pension Overpayments and Write Offs

	2023/2024		2022/2023		2021/2022		2020/2021	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
Amounts under £100	£5,563	146	£5,906	162	£6,516	166	£6,348	151
Overpayments Recovered	£56,710	121	£46,954	103	£38,056	92	£26,716	92
Overpayments Written Off	£0	0	£0	0	£0	0	£498	2

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown above. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Section 151 Officer.

Key Performance Indicators (KPI)

The Fund measures several administration tasks against agreed service standards. These KPIs help ensure we are providing information to our scheme members in a timely manner. Previously the fund reported on seven measures, however, the Fund has developed further measurements of service provision to increase the transparency of performance and are now reporting on 13 measures. The KPI requirements can be found in the Fund's Administration Strategy and include targets of 90% of the agreed service standard for the Clwyd Pension Fund administration element and 100% for the legal requirement element.

The new measures in the table below are marked with a *, please note not all of these measures have a legal requirement and therefore will have 'N/A' in the legal requirement fields.

The 'Time taken to process casework' table below shows the percentage of cases achieved within the legal & fund targets and the 'Total number of casework' table shows the number of case completed overall taking in to account cases brought forward from the previous year. Future reports will include the new requirement to measure against 'The total number of casework' completed in previous years. This will be in-line with the new guidance issued earlier this year by SAB. This report includes 2023/2024 only.

Time Taken to Process Casework

Process	No. of cases completed cases 2023/2024	Legal Requirement	% of cases completed within target (Legal) 2023/2024	CPF Administration element target	% of cases completed within target (CPF) 2022/2023	% of cases completed within target (CPF) 2023/2024
To send a Notification of Joining the LGPS to a scheme member	3,436	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	82%	30 working days from receipt of all information	99%	99%
To inform members who leave the scheme of their leaver rights and options	1,813	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	92%	15 working days from receipt of all information	89%	98%
Obtain transfer details for transfer in, and calculate and provide quotation to member	289	2 months from the date of request	33%	20 working days from receipt of all information	78%	43%*
Provide details of transfer value for transfer out, on request	235	3 months from date of request (CETV estimate)	65%	20 working days from receipt of all information	85%	23%*

Process	No. of cases completed cases 2023/2024	Legal Requirement	% of cases completed within target (Legal) 2023/2024	CPF Administration element target	% of cases completed within target (CPF) 2022/2023	% of cases completed within target (CPF) 2023/2024
Notification of amount of retirement benefits	1,738	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age ⁴	78%	10 working days from receipt of all information	94%	92%
Providing quotations on request for retirements	992	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	95%	15 working days from receipt of all information	88%	87%
Calculate and notify dependant(s) of amount of death benefits	171	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	62%	10 working days from receipt of all information	65%	69%
Calculate and Notify member of CETV for Divorce/Dissolution Quote	115	3 months from the date of request	94%	20 working days from receipt of all information	100%	87%

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Process	No. of cases completed cases 2023/2024	Legal Requirement	% of cases completed within target (Legal) 2023/2024	CPF Administration element target	% of cases completed within target (CPF) 2022/2023	% of cases completed within target (CPF) 2023/2024
*Calculate and Notify members of Actual Divorce Share	3	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	100%	15 working days from receipt of all information	100%	100%
*Calculate and pay a Refund of contributions	359	N/A		10 working days from receipt of all information	89%	98%
*Calculate and Pay retirement lump sum	833	N/A		15 working days from receipt of all information	95%	95%
*Calculate and Notify member of Deferred Benefits	1,163	N/A		30 working days from receipt of all information	73%	45%
*Initial letter acknowledging death of member	435	N/A		3 working days from receipt of all information	82%	80%

* These KPIs were affected by regulatory changes, awaited GAD guidance, and additional complexity due to the McCloud Remedy which has resulted in processes taking longer to complete.

Total number of Casework

Process	Total number of cases open as at 31/03/2023	Total number of cases created 01/04/2023 – 30/03/2024	No. of cases completed cases 2023/2024	% of cases completed 2023/2024
To send a Notification of Joining the LGPS to a scheme member	1	3435	3,436	100%
To inform members who leave the scheme of their leaver rights and options	33	1805	1,813	99%
Obtain transfer details for transfer in, and calculate and provide quotation to member	3	326	289	88%
Provide details of transfer value for transfer out, on request	5	470	235	49%
Notification of amount of retirement benefits	1	1737	1,738	100%
Providing quotations on request for retirements	138	1124	992	79%
Calculate and notify dependant(s) of amount of death benefits	1	200	171	85%
*Calculate and Notify member of CETV for Divorce/Dissolution Quote	3	132	115	85%
*Calculate and Notify members of Actual Divorce Share	4	4	3	38%
*Calculate and pay a Refund of contributions	0	435	359	83%
*Calculate and Pay retirement lump sum	0	999	833	83%
*Calculate and Notify member of Deferred Benefits	0	1163	1,163	100%
*Initial letter acknowledging death of member	2	445	435	97%

Going forward, previous years' data will be provided to allow for comparison.

Other performance information

The total number of cases completed in 2023/2024 has reduced slightly compared to previous years. This is due to staff retention and the impact of training new staff members. In addition, a number of high priority processes (e.g. retirements) are now taking longer to complete due to the added complexity that the McCloud ruling has brought. Some transfer processes have been, and continue to be, on hold pending new GAD guidance being issued. This will continue until all guidance has been received, all member data has been uploaded onto the pension system, and system functionality has been upgraded to remove manual intervention and workarounds.

Despite this, work continues in other areas to drive performance. There has still been a positive effect on the performance levels achieved across all areas. In order to satisfy legal requirements the KPIs noted above are measured at a specific point within the case. These numbers will, therefore, not match the completed cases shown below which also include other areas of work.

Completed Cases 2023/2024

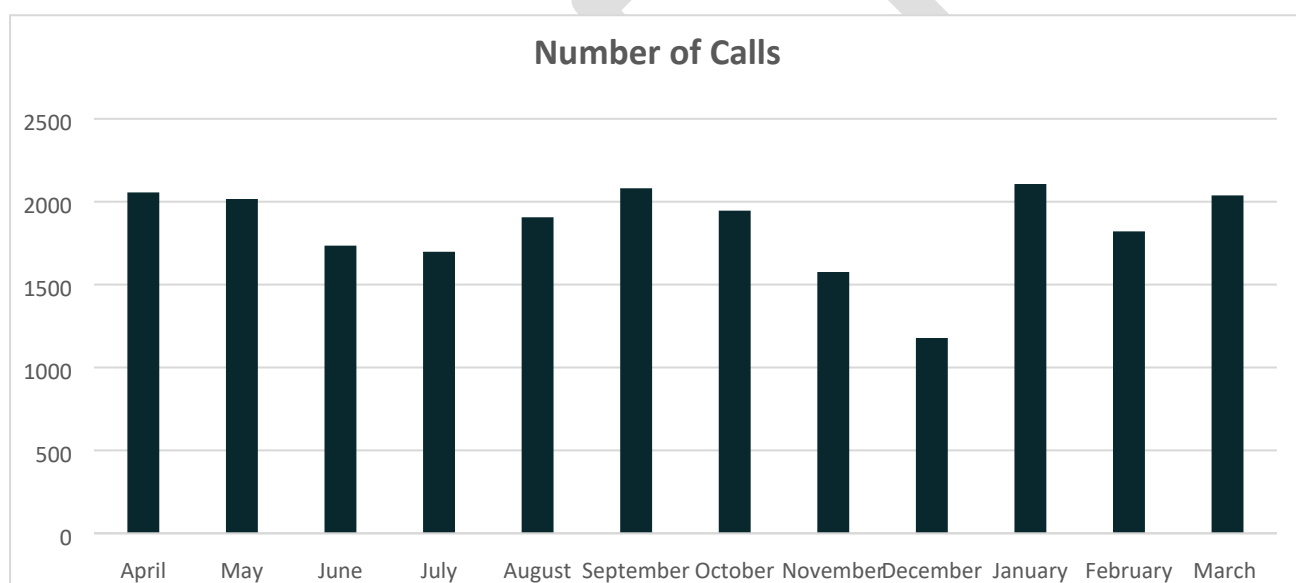
Case Type	Cases
New Starters	3,307
Address changes (including via MSS)	1,938
Defers	1,605
Refunds	837
Retirements (all types)	1,720
Estimates (all types)	987
Deaths (deferred, active and pensioners)	491
Transfers In	318
Transfers Out	416
Divorce Quote	116
Divorce Share	3
Aggregation	1,454



Case Movement 2023/2024

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start Total	5760	5786	5565	5461	5928	5766	6034	5888	6000	5805	5843	5866
Completed	2746	2698	2402	2535	3247	2950	2661	2790	2479	2940	2759	2663
Received	2800	2499	2371	3032	3121	3241	2535	2926	2297	3085	2798	2649
Deleted	28	22	73	30	36	23	20	24	13	107	16	9
Remaining	5786	5565	5461	5928	5766	6034	5888	6000	5805	5843	5866	5843

Phone call statistics 2023/2024



Address & email statistics 2023/2024

Status	Total members	% gone away	% with email address
Active	17,813	0.3%	66%
Pensioner & Dependant	16,674	0.2%	61%
Deferred (Inc. undecided & frozen refund)	18,377	10%	50%

Value for Money Statement

The Fund measures Value for Money by achieving its objectives set out in both the Administration Strategy and the Communication Strategy and particularly the following objectives:

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working

To successfully deliver these objectives there is a robust Business Plan and Data Improvement Plan in place, risk management is integrated into our day-to-day business and we continually measure success against these objectives in various ways such as through our KPIs, satisfaction surveys and our Breaches Register. Progress updates on each of these are regularly reported to the Committee and the Board.

Some of the key measures to demonstrate Value for Money are as follows:

- The quality of data is fundamental to both the valuation of the Fund's liabilities and how this is subsequently reported in the Fund's accounts. As mentioned earlier, our common and scheme specific data quality scores are 97% and 98% respectively, evidencing that data is now of a high quality.
- We aim for 5% per year increases in the proportion of scheme members registered on Member Self-Service, which directly results in greater efficiencies. For the period April 2023 to March 2024 we achieved an increase of 3% for MSS registrations and 2% for paper preference. This will be more difficult to achieve year on year as the proportion of scheme members that have not registered reduces.
- We strive to use digital communications as a default in all situations unless there are valid reasons not to do so for efficiency or effectiveness reasons.
- We regularly review our progress against a wide range of KPIs (including legal timescales, overall process timescales and internal Fund turnaround times), workload case numbers (received, completed and outstanding) and our business plan requirements to ensure our resources are appropriate to meet our objectives.

Furthermore, in 2023/2024 the administration of the Fund was achieved within the agreed budget.

Complaints Procedure

The Fund's complaints procedure is officially known as the Internal Dispute Resolution Procedure (IDRP).

Usually, before IDRP is instigated, an 'informal' complaint is raised by a member and the Pensions Administration Manager or Principal Pensions Officers will attempt to resolve the complaint and confirm this in writing where possible. If the complaint is against an employer decision, it is the employer's responsibility to attempt to resolve this complaint. If the member is dissatisfied with the response, they may appeal.

The Clwyd Pension Fund keeps a log of all complaints received directly to the Fund and how these complaints have been resolved all of which are reported to the Pension Board.

The appeal process is known as IDRP and has a two-stage process under LGPS regulations. Written appeal applications must be made using the Fund's official IDRP forms and must be returned to the Fund within six months of the date of the decision that the member is appealing against.

Stage One of the appeal's process requires the Fund's 'nominated person' to investigate the complaint. For Stage One, this nominated person is the Business Development Manager for West Yorkshire Pension Fund. He reviews the dispute and makes a determination as to whether the decision reached was made in line with the Scheme regulations. Should the member remain dissatisfied with the outcome they can make an application under Stage Two which can be forwarded to the Fund. Stage Two appeals are heard by the Monitoring Officer of Flintshire County Council.

If still dissatisfied, members may take their dispute to the MoneyHelper service and then onto the Pensions Ombudsman. The table below summarises the IDRP requests the Fund received in 2023/2024 versus 2022/2023 and their outcomes:

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

We have not been made aware of any members referring their complaint to the Pensions Ombudsman when they have lost stages one and two IDRPs.

More information about the appeal process can be found in our Internal Dispute Resolution Procedure Pack at:

<https://mss.clwydpensionfund.org.uk/lgps/forms-and-resources>

Contact Details

For further information on this section of the Annual Report please contact:

Mrs Karen Williams, Pensions Administration Manager

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

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Section 7: Additional Information

Appendix 5: Annual Governance Statement

Roles and Responsibilities

Flintshire County Council (the Council) is responsible for administering the Clwyd Pension Fund (the Fund), on its own behalf and on behalf of 2 other local authorities (Wrexham and Denbighshire) and 47 other large and small employers in North East Wales.

The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

Governance & Delegation

The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council's operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

To help ensure that the governance framework is robust, the Council has developed a Local Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council's constitution and is available on the Council's website. The operation of the Fund is governed by this code. The Council produces its own Annual Governance Statement which reviews the effectiveness of its control environment.

The Fund has its own Governance Policy in place. This policy sets out the Fund's governance arrangements, including its governance structure and operational procedures for the delegation of responsibilities. It also sets out the Fund's aims and objectives relating to its governance. In accordance with the requirements of the Public Services Pensions Act 2013, the Fund has established a Local Pension Board (the Board) to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively.

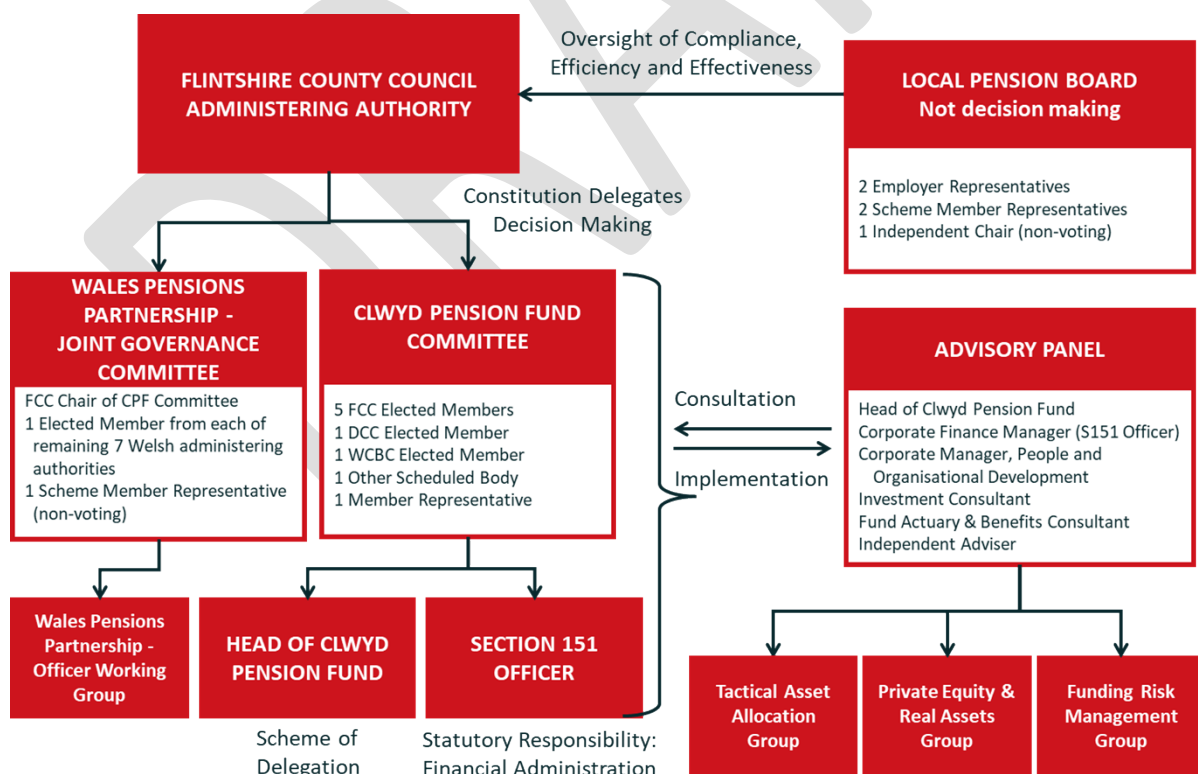
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The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

The Head of Clwyd Pension Fund has overall responsibility for the activities of the Fund. This includes ensuring that the arrangements for the investment of assets, the receipt of contributions and the payment of benefits are properly managed.

The Council's Corporate Finance Manager as Section 151 Officer is responsible for arranging the proper administration of the financial affairs of the Fund. He is CIPFA qualified and is suitably experienced to lead the finance function.

In addition, under an inter-authority agreement, there is delegation to the Wales Pension Partnership Joint Governance Committee to reflect the move to the pooling of pension fund assets across the 8 Welsh LGPS pension funds.

The governance structure for the Fund is shown below. The bodies to which responsibility is formally delegated are supported by the Board, and also an Advisory Panel and a number of working groups.



Strategy & Policy

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance

Policy Statement, Funding Strategy Statement, Investment Strategy Statement, Communications Strategy, and Administration Strategy. These documents describe the Fund's objectives together with the main risks facing the Fund and the key controls which mitigate them. In addition, the Fund has a Business Plan, Breaches Procedure, Risk Policy, Conflicts of Interest Policy, Knowledge and Skills Policy, Cyber Strategy and Anti-Fraud and Corruption Policy which support the governance framework.

Use of financial data

Financial data is used and managed by the Fund in a number of different ways:

- There is a triennial actuarial valuation which determines long term cash flows, fund liabilities and contributions. In addition, monthly funding projections are also produced by the actuary to help the Fund keep abreast of its funding position.
- Detailed investment records are held and maintained by external partner investment managers including the Wales Pension Partnership (WPP) and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- Economic and market forecast data is used to inform the Fund's investment strategy, which is designed to support the requirements of the Fund's funding strategy.
- The Fund prepares an annual statement of accounts, a business plan (including a budget and cash flow) and financial monitoring reports. The Fund uses the Council's Masterpiece financial ledger system to maintain its financial information.
- The Fund uses the Altair management system to manage the payment of benefits to beneficiaries. Payments to beneficiaries are made through the Council's bank account and are transferred immediately from the Pension Fund's bank account. Annual Benefit Statements are prepared and distributed to members. The Fund has a Member Self Service system, which allows members of the Fund to access their own membership information.

Annual audit reports and statements of internal control are obtained from the investment managers by the Fund and are reviewed by officers to provide assurance that the investments are managed in an adequate control environment. Any significant issues that these reports disclose are reported to the Committee on an exception basis.

Risk Management

The Fund recognises that effective risk management is an essential element of good governance. The Fund has an effective policy and risk management strategy which:

- Demonstrates best practice
- Improves financial management
- Minimises the effect of adverse conditions
- Identifies and maximises opportunities that might arise
- Minimises threats

Risks relating to pension funds are often outside the Fund's control. The Fund's risk management focuses on measuring the current risk against the Fund's agreed target risk and identifying further controls and actions that can be put in place. These actions are then implemented as part of the day to day management or through the Fund's Business Plan.

The risks currently identified as key risks are shown in the section of the Fund's Annual Report which deals with the overall fund management (Section 1).

Review of effectiveness

The Committee is responsible for ensuring the continued effectiveness of the governance framework and system of internal control within which the Fund operates. In discharging this responsibility it relies on the assurances of officers, financial monitoring and other reports, the work of internal audit and the work of the external auditors.

The Board assists the Committee in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme, and with ensuring the effective and efficient governance of the Fund.

The Fund has in place an Independent Advisor, part of whose role is to carry out an annual review which is included in the Fund's Annual Report (Appendix 1).

The Fund's Annual Report includes a governance compliance statement. This measures the extent to which the Fund's governance arrangements comply with statutory guidance.

As part of his duties, the Corporate Finance Manager ensures that the Council receives an internal audit of the control environment of the Council and the Fund. The audit coverage reviews the control environment within which the Fund operates and helps to ensure that robust arrangements are in place to:

- Safeguard the contributions made by employees and employers used to fund the pension liabilities
- Ensure control is maintained over partner investment managers who are responsible for ensuring that funds are maximised in order to meet liabilities
- Ensure that accurate and timely payment is made to retired members and beneficiaries of the Fund

Update on significant governance issues previously reported

There were no significant governance issues in 2023/2024 specific to the Fund.

Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues relating to the Fund which need to be reported as a result of the work undertaken by Internal Audit on the control systems of either the Council or the Fund.

Internal Audit Opinion

Based on the audit work undertaken for the Council and the assurances provided by the Chief Executive, the Corporate Finance Manager and the Head of Clwyd Pension Fund, it is the Head of Audit's opinion that key controls were generally operating effectively during 2023/2024 but some refinement or addition of controls would enhance the control environment, and key objectives could be better achieved with some relatively minor adjustments.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2023/2024 to provide reasonable and objective assurance that any significant risks impacting the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate their impact.

Philip Latham

Head of Clwyd Pension Fund

Cllr Dan Rose

Chair of the Clwyd Pension Fund Committee

Appendix 6: Glossary

Active member	A current employee who is paying contributions to the Fund.
Actuary	An independent professional who advises the Administering Authority on the financial position of the Fund. Every three years the Actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates - both to meet the cost of any future benefit accrual, and also rectify any difference in assets and liabilities for accrued benefits.
Additional Voluntary Contributions (AVC)	An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.
Administering Authority	Flintshire County Council is the Administering Authority of the Clwyd Pension Fund and is responsible for managing and administering the LGPS in relation to its members. This includes maintaining and investing the Fund's assets.
Admitted Body	An organisation who has entered into a service agreement with a Scheme employer. Flintshire County Council, as the Administering Authority, and the relevant parties to the service agreement enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.
Alternatives	An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts.
Asset Allocation	The apportionment of a fund's assets between different types of investments (or asset classes). The asset allocation is monitored on a regular basis depending on the agreed tolerances set out in the Investment Strategy. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.
Benchmark	A measure against which the investment policy or performance of an investment manager can be compared.
Consumer prices index (CPI)	CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. Pension increases in the LGPS are linked to the annual change in CPI. Currently CPI is lower than RPI (see RPI comment below).
CPIH	This is a broader measure of inflation based on CPI including owner occupiers' housing costs.
Corporate Bonds	Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent 'loans' to the companies which are repayable on a stated future date

	(for definitions of “fixed interest” and “index-linked” see ‘Fixed Interest Government Securities’ and ‘Index-linked Government Securities’).
Custodian	This is a financial institution that holds customers’ securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.
Deferred Members	Scheme members who have left employment or ceased to be an active member of the Scheme whilst remaining in employment, but retain an entitlement to a pension from the Scheme.
Direct property	Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.
Diversified Growth Funds (DGF)	An alternative way of investing in shares, bonds, property and other asset classes.
Employer Contribution Rates	The percentage of the salary of members that employers pay as a contribution towards the members’ pension.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders’ meetings.
Equity risk premium	Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.
Fixed Interest Securities	Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.
Funding Strategy Statement	This is a formal document setting out how the Administering Authority will determine employers’ contributions to the Fund and how it will manage its funding risks. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.
Hedge Funds	Also known as “absolute return funds’, these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits.

Index	A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.
Indexed-Linked Government Securities	Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the Government are adjusted to allow for inflation. Investments in government stocks which are repayable on a stated future date.
Investment Strategy Statement	This is a formal document setting out the Administering Authority's objectives and attitude to investment risk and sets out what the long term investment strategy will be i.e. how the Fund's assets will be distributed among different asset classes. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.
Liability Driven Investment (LDI)	LDI is a risk management strategy that aims to mitigate the Fund's exposure to interest rate and inflation risks.
Market Value	The price at which an investment can be bought or sold at a given date.
Multi Asset Credit	The price at which an investment can be bought or sold at a given date.
Passive Investing (Indexation)	An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.
Pooled Funds	Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.
Private equity	Private equity is the ownership of companies that are not listed on a public stock exchange.
Retail Price Index (RPI)	A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax. From 2030 onwards, the calculation of RPI will be more closely aligned with that of CPIH.
Return	The total gain from holding an investment over a given period, including income and any increase or decrease in market value.
Risk Management Framework	The Fund has established a framework with the aim of providing stability of funding and employer contribution rates in the long term. The framework includes the following strategies that seek to

	manage a variety of financial risks - Funding Level Monitoring, Liability Hedging, Synthetic Equities, Currency Hedging, Collateral Management, Realisation of Investments, Cash Management and Stock Lending.
Scheduled Body	An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.
Unrealised Gains/Losses	The increase or decrease in the market value of investments held by the fund since the date of their purchase.
Wales Pension Partnership (WPP)	An investment pool comprising of the Welsh LGPS Funds. WPP is one of eight LGPS investment pools in England and Wales. LGPS investment pools aim to increase pension fund investment efficiency and make it easier to access more asset classes.

DRAFT

Appendix 7: Regulatory Documents

Below are links to the regulatory documents which form part of the Governance and Performance framework within which the Fund operates:

Governance Policy and Compliance Statement (November 2022)

<https://mss.clwydpensionfund.org.uk/documents/Governance%20Policy%20&%20Compliance%20Statement.pdf>

Funding Strategy Statement (March 2023)

<https://mss.clwydpensionfund.org.uk/documents/Funding%20Strategy%20Statement.pdf>

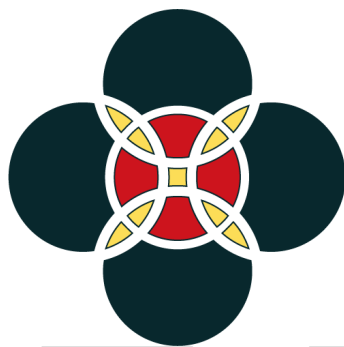
Investment Strategy Statement (March 2024)

<https://mss.clwydpensionfund.org.uk/documents/Investment%20Strategy%20Statement.pdf>

Communications Strategy (June 2022)

<https://mss.clwydpensionfund.org.uk/documents/Communications%20Strategy.pdf>

Other best practice documents are also available on Clwyd Pension Fund website. A list of these documents and the website address can be found on the contents page of the report.



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.

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Mr Dan Rose
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Date Issued: 08 July 2024

[Issued via email]

Dear Gary and Dan,

Audit enquiries to those charged with governance and management

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of the Pension Fund and 'those charged with governance' (the Pension Fund Committee).

I have set out below the areas of governance on which I am seeking your views:

1. Matters in relation to fraud
2. Matters in relation to laws and regulations
3. Matters in relation to related parties
4. Matters in relation to going concern.

The information you provide will inform our understanding of the Pension Fund and its business processes and support our work in providing an audit opinion on your 2023-24 financial statements.

I would be grateful if you could update the attached table in [Appendix 1 to Appendix 3](#) for 2023-24.

The completed [Appendix 1 to Appendix 3](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by 29 July 2024. In the meantime, if you have queries, please contact me on 02920 320660 or via Michelle.phoenix@audit.wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michelle Phoenix' in a cursive style.

Michelle Phoenix

Audit Manager

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard was revised for audits from 2022-23 onwards.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Pension Fund is the Pension Fund Committee. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- The intentional misappropriation of assets (cash, property, etc); or
- The intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

Enquiries of management – in relation to fraud	
Question	2023-24 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?	<p>The risk is considered to be low, because:</p> <p>The Clwyd Pension Fund (CPF) processes and systems are audited by the Flintshire County Council (FCC) internal audit team, and their reports have not identified any serious weakness in relation to potential fraud.</p> <p>- CPF uses many of FCCs processes and systems, including staff payroll, payments of benefits, and the financial ledger system, which are subject to robust controls and are regularly audited. The accounts are subject to internal review by members of the CPF team which would highlight distortion resulting from potential fraud.</p> <p>Regular budget monitoring reports are produced which would highlight areas of potential fraud.</p>
2. Do you have knowledge of any actual, suspected or alleged fraud affecting the audited body?	No.

Enquiries of management – in relation to fraud	
Question	2023-24 Response
3. What is management's process for identifying and responding to the risks of fraud in the audited body, including any specific risks of fraud that management has identified or that have been brought to its attention?	FCC's Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan specify that whenever a matter arises in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting. The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.
4. What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?	Any transactions which are paid from either the CPF or FCC bank accounts would be at risk of fraud.
5. Are you aware of any whistleblowing or complaints by potential whistle blowers? If so, what has been the audited body's response?	None that CPF is aware of.
6. What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports.

Enquiries of management – in relation to fraud

Question	2023-24 Response
	The CPF accounts are subject to external audit by Audit Wales
7. What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	The FCC intranet contains all the relevant policies which can be accessed by all officers of FCC at any time.
8. For service organisations, have you reported any fraud to the user entity?	No

Enquiries of those charged with governance – in relation to fraud

Question	2023-24 Response

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

Enquiries of those charged with governance – in relation to fraud	
Question	2023-24 Response
1. Do you have any knowledge of actual, suspected or alleged fraud affecting the audited body?	No.
2. What is your assessment of the risk of fraud within the audited body, including those risks that are specific to the audited body's business sector?	An Anti-Fraud and Corruption Strategy was approved by the Clwyd Pension Fund Committee on 29 March 2023. There is an Annual independent external audit of the Fund's financial accounts to provide a further safeguard to prevent and detect fraud and corruption. In signing off the financial accounts the auditor's responsibilities including obtaining reasonable assurance that the Fund's financial statements are free from material misstatement whether due to fraud or error. Furthermore, the Chief Finance Officer and Chair of the Pension Fund Committee are required to sign a letter of representation declaring that they have fulfilled their responsibilities in the design, implementation, maintenance and review of internal controls to prevent and detect fraud and error. In addition, there have been low occurrences of fraud to date.
3. How do you exercise oversight of:	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor

Enquiries of those charged with governance – in relation to fraud

Question	2023-24 Response
<ul style="list-style-type: none">• management's processes for identifying and responding to the risk of fraud in the audited body, and• the controls that management has established to mitigate these risks?	monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that the Pension Fund's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make enquiries of management and those charged with governance as to whether the Pension Fund is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response
<p>1. Is the audited body in compliance with relevant laws and regulations? How have you gained assurance that all relevant laws and regulations have been complied with? Are there any policies or procedures in place?</p>	<p>All CPF activity is designed to conform to statutory requirements and the requirements of The Pensions Regulator. The Independent Advisor monitors CPF activity and reports annually. CPF makes use of external advisors, including an Actuary and an Investment Advisor, who also report annually.</p> <p>There is an Advisory Panel in place, which includes the Corporate Finance Manager, S151 and the Corporate Manager, People and Organisational Development, who work with CPF to ensure positive outcomes in all areas of CPF activity</p>
<p>2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations in the financial year, or earlier with an ongoing impact on this year's audited financial statements?</p>	<p>The Breaches Register includes all cases of non-compliance and is reported regularly to the CPF Committee and the Pensions Board. No Breach has required reporting to The Pensions Regulator during 2023/24, and no Breach has had an impact on the preparation of the accounts</p>
<p>3. Are there any potential litigations or claims that would affect the financial statements?</p>	<p>None that CPF is aware of</p>

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Enquiries of those charged with governance – in relation to laws and regulations

Question	2023-24 Response
1. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the entity?	No
2. How does the Pension Fund Committee, in your role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2023-24 Response
<p>1. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships? Confirm these have been disclosed to the auditor.</p>	<p>Note 23 in the accounts for 23/24 make all the necessary disclosures.</p>
<p>2. What transactions have been entered into with related parties during the period? What is the purpose of these transactions? Confirm these have been disclosed to the auditor.</p>	<p>Note 23 of the accounts for 23/24 make all the necessary disclosures.</p>
<p>3. What controls are in place to identify, account for and disclose related party transactions and relationships?</p>	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting</p>
<p>4. What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none"> • with related parties, and • outside the normal course of business? 	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting</p>

Enquiries of those charged with governance – in relation to related parties

Question	2023-24 Response
<p>1. How does the Pension Fund Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Members make appropriate declaration before each CPF Committee meeting. The Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.</p>

Enquiries of Management – Going Concern

Question	2023-24 Response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?</p>	<p>Yes, as it is a statutory England & Wales Local Government Pension Fund with the expectation of indefinite existence.</p>

Enquiries of Management – Going Concern

Question	2023-24 Response
2. Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the entity's ability to continue as a going concern?	No.

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CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 11 September 2024
Report Subject	Stewardship Code Submission
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to ask the Committee to support the Clwyd Pension Fund's application to the Financial Reporting Council (FRC) to maintain signatory status of the 2020 Stewardship Code (the "Code").

The Fund became a signatory of the Code in February 2023 and retained signatory status in February 2024 following the October 2023 submission. The Fund is committed to reporting on the requirements of the Code, with the aim of maintaining signatory status each year.

The proposed submission demonstrates the work that has been conducted in respect of stewardship both in the past, and the commitments to continued progression in the future in areas such as listed assets and private markets.

Maintaining signatory of the Code aligns with the Fund's Responsible Investment Principles, recognising that transparency and accountability are important aspects of being a responsible investor and illustrates the Fund's beliefs and objectives surrounding environmental, social and governance (ESG) issues.

The FRC deadline for submission is 31 October 2024. The attached document is the 31 March 2024 submission working draft. This report continues to be worked on by officers and advisers. Although comprehensive, any thoughts and views from the Committee are welcome. Updates to the draft submission will continue to be made before the FRC deadline as certain sections (which have been highlighted) in the draft in appendix 1 are awaiting information.

Additionally, the FRC have recently announced five immediate changes to significantly reduce the reporting burden on existing signatories. These changes (as noted in section 1.04) will be considered for the 2024 submission.

RECOMMENDATIONS	
1	That the Committee consider and comment on the contents of the draft submission.
2	That the Committee delegates responsibility for approving the final submission to the Head of Clwyd Pension Fund.

REPORT DETAILS

1.00	DRAFT STEWARDSHIP CODE SUBMISSION
1.01	<p>Background</p> <p>The purpose of this report is to ask the Committee to support the Clwyd Pension Fund’s third application to the Financial Reporting Council (FRC) to maintain signatory status of the UK Stewardship Code 2020 (the “Code”). The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. 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.</p> <p>The Code applies to:</p> <ul style="list-style-type: none">• Asset owners such as pension schemes, insurers, foundations, endowments, local government pension funds and pools and sovereign wealth funds.• Asset managers who manage assets on behalf of UK clients or invest in UK assets.• Service providers such as investment consultants, proxy advisors, data and research providers that support asset owners and asset managers to exercise their stewardship responsibilities. <p>To become a signatory of the Code, applicants need to be able to demonstrate to FRC that they can meet these stewardship standards. Signatories are required to resubmit on an annual basis to continue to demonstrate compliance.</p> <p>The Fund was previously confirmed as a Tier One signatory to the 2012 Stewardship Code in March 2018. The Fund has been a signatory to the latest “2020 Code” since February 2023. The Fund is also pleased that the Wales Pension Partnership (“WPP”) is also a signatory of the Code.</p> <p>The Fund is committed to reviewing the requirements of the Code, including additional updates (such as incorporating the latest updates listed in section 1.04), with the aim of maintaining signatory status. The draft submission, which has been prepared for this purpose, is included in the Appendix. Being a signatory of the Code helps demonstrate to the Fund’s stakeholder and other interested parties that the Fund is committed to being a responsible investor.</p>
1.02	<p>Comply and Explain Principles</p> <p>The Code has twelve “comply and explain” principles, under four main sections. The draft submission demonstrates the Fund’s approach in relation to each of these principles. The twelve principles are:</p>

	<p><u>Purpose and governance</u></p> <ol style="list-style-type: none"> 1. Purpose, strategy and culture 2. Governance, resources and incentives 3. Conflicts of interest 4. Promoting well-functioning markets 5. Review and assurance <p><u>Investment approach</u></p> <ol style="list-style-type: none"> 6. Client and beneficiary needs 7. Stewardship, investment and ESG integration 8. Monitoring managers and service providers <p><u>Engagement</u></p> <ol style="list-style-type: none"> 9. Engagement 10. Collaboration 11. Escalation <p><u>Exercising rights and responsibilities</u></p> <ol style="list-style-type: none"> 12. Exercising rights and responsibilities
1.03	<p>Explanation of Main Sections</p> <p><i>Purpose and Governance</i></p> <p>This section outlines the Fund’s culture, values and investment beliefs that enable good stewardship to provide sustainable long-term benefits for all stakeholders. Also discussed in this section is how governance and assurance structures, and processes, enable the Fund to manage risks.</p> <p><i>Investment Approach</i></p> <p>This section discusses how the responsible investment beliefs are incorporated into the asset allocation to ensure that the Fund invests in a responsible and sustainable way, as well as ensuring it can pay benefits to its members as and when they fall due.</p> <p><i>Engagement</i></p> <p>This area demonstrates all aspects of engagement, including engagement of the underlying managers on behalf of the Fund, as well as engagement conducted on behalf of the Fund through pooled fund holdings with the WPP. WPP has appointed Robeco as its Voting and Engagement provider who assist in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF (Local Authority Pension Fund Forum). In addition, Robeco are responsible for implementing the voting policy and reporting on it.</p> <p>Several examples will be provided on engagement including an example of enhanced engagement, collaboration and escalation (information outstanding at the time of writing). This section also covers how the Fund and its officers engage within the wider market, as members/ affiliates of several boards and initiatives including but not limited to the LAPFF, Pensions and Lifetime Savings Association (PLSA) Local Authority Committee and Pensions for Purpose</p>

	<p><i>Exercising rights and responsibilities</i></p> <p>This area demonstrates how the Fund has delegated voting rights of all pooled assets to the WPP, who utilise the appointment of Robeco (Voting and Engagement provider) to engage on their behalf. The Fund also delegates voting rights of its underlying Tactical Asset Allocation (“TAA”) holdings to the underlying managers such as Legal & General, where relevant.</p> <p>This section also explains voting policy and voting areas, as well as providing several examples of voting and engagement which Robeco and the underlying managers of the TAA Portfolio have taken on behalf of the Fund. Engagement and voting examples included in the report focus on areas such as, but not limited to:</p> <ul style="list-style-type: none"> • Carbon emission reduction targets • Human rights • Board composition • Climate transition <p>Although exercising rights and responsibilities is typically more developed for listed equity managers, the Fund’s expectations regarding engagement for other asset class managers is discussed in this section.</p>
1.04	<p><u>FRC Updates to the Code - 2024</u></p> <p>In July 2024, the FRC announced revisions to the UK Stewardship Code application process and committed to five priority areas of review. The five themes in the new phase of the Code’s revision are as follows:</p> <ol style="list-style-type: none"> 1. Purpose: <i>The FRC will consider all stakeholder views and set out its expectation of what defines effective stewardship, what this looks like in practice, and how reporting against the Code can help to deliver this.</i> 2. Principles: <i>The FRC is considering what reporting will be necessary to deliver on a renewed purpose of the Code.</i> 3. Proxy Advisors: <i>The FRC will carefully consider how the Code might support greater transparency of their activities.</i> 4. Process: <i>The FRC will take forward proposals to reduce the reporting burden currently associated with being a Code signatory and ensure that information included in reports is useful and accessible to all underlying investors and other stakeholders.</i> 5. Positioning: <i>The FRC is working closely with other regulators such as the DWP, TPR and the FCA to support clarity in understanding the revised Code and its successful implementation. The Code will continue to support the objectives of those other regulators to avoid any confusion and duplication that signatories may encounter.</i>

	<p>In addition to the above themes, and in line with theme 4 (Process), the FRC made 5 immediate changes to reduce the burden on existing signatories, these changes will:</p> <ul style="list-style-type: none"> • Remove the requirement to annually disclose all ‘Context’ reporting expectations, except for new reports or material changes. • Remove the requirement to annually disclose against ‘Activity’ and ‘Outcome’ reporting expectations for some Principles. • Explicitly allow use of content from previous reporting and cross-referencing of such reports. • Set clear expectations of what is considered an ‘outcome’ for stewardship purposes. • Emphasise the ability to report against Principle 10, collaborative engagement, and Principle 11, escalation ‘where necessary’. <p>‘Context’, ‘Activity’ and ‘Outcome’ are all reporting expectations for each principle.</p> <p>These changes are applied to this year’s application window and are aimed at streamlining reporting and provide flexibility for signatories. The FRC is engaging with stakeholders through public consultation and focused engagement sessions to ensure alignment with the UK’s investment stewardship ecosystem.</p> <p><i>Source: FRC announces significant update to the UK Stewardship Code</i></p>
1.05	<p>Key points to note for 31 March 2024 submission</p> <p>The Fund has followed the spirit of the Code for several years and this submission is a continuation of its dedication to demonstrate the stewardship activities of the Fund over the 12 months to 31 March 2024.</p> <p>Key areas of submission and activities undertaken over the year to 31 March 2024 include:</p> <ul style="list-style-type: none"> • Overview of the Responsible Investment Policy in place and the latest additions to the policy (including the exclusions policy) • Overview of the governance framework and parties in place for effective stewardship of the Fund including Fund and WPP structures • How the Fund manages conflicts of interest and any potential conflicts during the period • Overview of how the Fund manages risks including its Risk Management Policy and risk register • Summary of Fund policies and sub-groups that support the Fund in its activities • How the Fund serves its beneficiaries through its activities • Detailed member and investment strategy summaries, including split of pooled and non-pooled assets

	<ul style="list-style-type: none"> • Summary of investments made during the period in the Local/ Impact private market investments • Overview of how the Fund systematically integrates stewardship and investment (including ESG) • Overview of the Communications Strategy • Discussion of how the Fund monitors its underlying managers and service providers • Overview of the process undertaken by the Fund to engage with private market managers, including the Fund’s monitoring template • Detailed examples of collaboration, engagement and escalation (note information is outstanding in some areas as the WPP and managers continue to provide further examples) • Detailed breakdown of voting information for listed assets undertaken on behalf of the Fund during the period.
1.06	<p>Addressing FRC feedback</p> <p>Feedback from the FRC from last year’s submission has been reviewed and updates have been made where possible to incorporate further changes. Feedback was limited given the strength of the report, however the information below highlights some of the additions made as a result of the feedback:</p> <ul style="list-style-type: none"> • Improved description of how the Fund evaluates its effectiveness in serving the beneficiary’s best interest • Explanation of how the Fund’s governance structures and processes supported the stewardship of the Fund • Details of how the Fund engaged with managers on their fossil fuel exposures during the period • Expansion of how rights and responsibilities have been exercised on the Fund’s behalf; it will be noted that fixed income is limited given there are no voting rights within this asset class
1.07	<p>Deadline for submission</p> <p>The deadline for this year’s submission is 31 October 2024. This report attached to the Appendix is the current working draft and although comprehensive, any thoughts and views from the Committee are welcome.</p> <p>The Committee are asked to consider and comment on the contents of the draft submission and delegate responsibility for approving the final submission to the Head of Clwyd Pension Fund.</p>

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	<p>This report addresses some risks identified in the Fund’s Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Funding and Investment risks: F1, F4, F8, I1, I2 and I3

5.00	APPENDICES
5.01	Appendix 1 – Draft Clwyd Pension Fund submission for Stewardship Code

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>CPF – Stewardship Report – 1 April 2022 to 31 March 2024</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

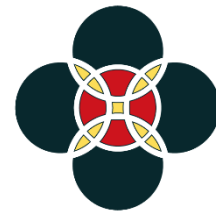
7.00	GLOSSARY OF TERMS
7.01	<p>(a) Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(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.</p> <p>(c) AP – Advisory Panel – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.</p> <p>(d) 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.</p>

- (e) **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.
- (f) **Chartered Institute of Public Finance and Accountancy (CIPFA)** – UK based accountancy membership and standard setting body.
- (g) **Ministry of Housing, Communities and Local Government (MHCLG)** – the government department responsible for the LGPS legislation. (Previously DLUHC – Department for Levelling Up Housing and Communities).
- (h) **Funding Strategy Statement (FSS)** – the main document that outlines how we will manage employers’ contributions to the Fund.
- (i) **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, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (j) **Financial Reporting Council (FRC)** – regulates auditors, accountants and actuaries, and sets the UK’s Corporate Governance and Stewardship Codes.
- (k) **Investment Strategy Statement (ISS)** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (l) **Local Authority Pension Fund Forum (LAPFF)** – is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners
- (m) **Local Government Pension Scheme (LGPS)** – the national scheme, which Clwyd Pension Fund is part of.
- (n) **Markets in financial instruments directive II (MiFID II)** – a European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims to standardise practises across the EU.
- (o) **Pensions and Lifetime Savings Association (PLSA)** – a trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.
- (p) **Pensions for Purpose** – exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment.
- (q) **Private Market Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.

- (r) **Scheme 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.
- (s) **Stewardship** – 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.
- (t) **Sustainable Finance Disclosure Regulation (SFDR)** - Imposes mandatory ESG disclosure obligations for asset managers and other financial market participants (FMP). SFDR aims to bring a level playing field for FMP and financial advisors on transparency in relation to sustainability risks the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products.
- (u) **Society of Local Authority Chief Executives (SOLACE)** - A leading members' network for local authority government and public sector professionals through the UK.
- (v) **Tactical Asset Allocation Group (TAAG)** – a group consisting of The Clwyd Pension Fund Manager and consultants from Mercer, the Fund Consultant.
- (w) **Task Force on Climate Related Financial Disclosures (TCFD)** - TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.
- (x) **Taskforce on Nature Related Financial Disclosures (TNFD)** - Builds upon TCFD but acting on behalf of nature. It is a nature-related framework to drive better understanding and reporting of nature-related risks and opportunities.
- (y) **UK Stewardship Code 2020** – set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.
- (z) **UN Principles for Responsible Investment (PRI)** – international organisation that works to promote the incorporation of ESG factors into all decision-making processes, seeking to build a more sustainable financial system.
- (aa) **Wales Pension Partnership (WPP)** – a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.

A full glossary of Investments terms can be accessed via the following link.
<https://www.schroders.com/en/global/individual/investment-glossary/>

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Not Peer Reviewed

Clwyd Pension Fund Stewardship Report

For the year ending 31 March 2024

In accordance with the UK Stewardship Code 2020

[DRAFT]

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Foreword (to be expanded)

We are proud to submit the Clwyd Pension Fund's (the "Fund") third annual Stewardship Report, covering the year 1 April 2023 to 31 March 2024.

We have long been an advocate of investing sustainably and the importance of active stewardship. As a supporter of the 2020 Stewardship Code, it is important to us to maintain our high standards and continue to demonstrate the work undertaken during the year.

This report explains how we have fulfilled our stewardship obligations set out in our Investment Strategy Statement (ISS) and Responsible Investment Policy.

We have continued to uphold our responsible investment values and continue to act in the best interests of members by striving to improve our policies and objectives to mitigate future risks we may face. We have built on progress achieved over previous periods by seeking out opportunities to add value for our members, particularly in the Local / Impact space.

Key achievements for the Fund under the period of review are:

1. Formal adoption of an 'Exclusions Policy' in relation to our listed equity holdings
2. Continuation of commitments to private market investment opportunities to achieve our target to Local/ Impact investing
3. Ongoing monitoring and progressing towards our net zero target of 2045, as well as our interim decarbonisation targets for listed equity holdings.

A key objective of ours is to invest responsibly in line with the interests of our members; this allows for members to feel confident that our investments are invested in such a way that is making a difference for the current and future environment. Our engagement with the Wales Pension Partnership (WPP) led to the launch of a Sustainable Active Equity Fund in 2023 for all members of the WPP to invest in, and is a key example of how we are taking ownership of our responsibilities as a responsible investor. We have now fulfilled our commitment of investing a target allocation of 15% of total assets in the Sustainable Active Equity Fund.

We continue to work in collaboration with the WPP who are responsible for engagement with the investment managers on behalf of the Welsh LGPS Pension Funds, including our Fund. The WPP has actively engaged with managers over the period; these engagements are discussed further in the report.

We are extremely happy with our work and engagement over the period and look forward to continuing the good work over the next 12 months.

Cllr. Dan Rose

Chair Clwyd Pension Fund Committee

Principle 1

Purpose and Governance

“Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”

1.1 The Clwyd Pension Fund is part of the Local Government Pension Scheme (LGPS). Its purpose is to provide death and retirement benefits for around c. 50,000 members, which includes local government employees (other than teachers, police and fire fighters) in Northeast Wales and employees of other qualifying bodies, which provide similar services.

1.2 Flintshire County Council is the "administering authority" or scheme manager responsible for managing the Fund on behalf of all our stakeholders. The key decision making, and management of the Fund has been delegated by the Council to a formal Pension Fund Committee (with employer and scheme member representatives) supported by a Pensions Advisory Panel. The detailed structure and delegations of authority within our fund are set out later in this report. However much of our culture is influenced by the wide representation on the Committee, Local Pension Board and officers managing the Fund.

1.3 The Fund is part of the Wales Pension Partnership (WPP) an asset pool which serves all eight LGPS funds in Wales. Over time we anticipate the majority, if not all, of our assets will transition into the pool, enabling the Fund to benefit from cost efficiencies through economies of scale. As such, the WPP is a very important partner for us.

1.4 As a fund, our overarching objective is to ensure we can pay all member benefits as they fall due. We aim to achieve investment returns higher than the rate built into the valuation of our liabilities by the Fund Actuary to ensure this is the case, as well as helping to keep employer contributions affordable. We also ensure we strike the right balance between long-term consistent investment performance and the funding objectives.

1.5 The 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

The Mission Statement has been developed to guide the management of all aspects of the Fund, including how assets are invested.

1.6 Our aims for the governance of the Fund are to:

- Act in our members’ and employers’ best interests

- 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

These aims apply to all aspects of managing the Fund, including investments and Stewardship.

1.7 Our responsible investment beliefs are set out in our Investment Strategy Statement (ISS). We have determined a set of beliefs within the ISS, to guide our decision making. These beliefs are set out below:

- 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 can make a positive social and environmental impact whilst meeting its financial objectives, and it will continue to make dedicated investments to support this aim.

1.8 We recognise the importance of the Fund's role as a steward of capital, and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which we invest. We believe that ultimately this protects the financial interests of the Fund and our members. We are committed to actively exercising the ownership rights attached to our investments. This reflects our conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest and recognises that companies' activities impact not only their customers and clients, but more broadly their employees, other stakeholders and wider society.

Our culture is of dedication, collaboration and ensuring members are considered when making any decisions. Officers have dedicated a significant part of their working lives to the Fund and always strive to ensure the objectives of the Fund are met. There is strong collaboration within the team and the wider LGPS community. Our communication strategy aims to ensure stakeholders receive relevant and focused communications and understand the benefits of the scheme. Our communications strategy also considers the different needs across stakeholder groups, to reflect the diversity of our stakeholders.

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

Within the 2019 review, the Fund set a number of high-level beliefs that sat over the more detailed policies. This conveyed the Fund's overarching attitude to being a Responsible Investor.

Investment Strategy Statement (ISS)

In 2023, we reviewed our overall investment strategy, following the results of the triennial investment strategy review. As a result, our Local/Impact allocation was assessed by the Officers, and it was agreed that the strategic allocation would be increased from 6% to 8%. The increased allocation is in line with our responsible investment beliefs and is further evidence of our commitment to make positive environmental, social and governance changes where possible on behalf of its stakeholders. The ISS was agreed by the Committee at the March 2024 meeting.

1.9 Our existing policy supports our specific RI aims along with the funding and investments specific objectives which are as follows:

- Ensure that our future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Ensure that our 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 our effectiveness in implementing these.

We are committed to transitioning to a low carbon economy and has therefore set a target of achieving net zero by 2045 or sooner.

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

The key actions and areas of focus that have been identified to achieve these objectives are included in the Fund's [Business](#) Plan, to align with the key aims and objectives of this strategy.

1.11 Flintshire County Council delegates its decision making to the Clwyd Pension Fund Committee who meet five times a year to discuss all Fund related matters including making funding, investment and administration decisions, as well as insuring there are robust risk management arrangements in place. The Committee is made up of five Councillors of Flintshire County Council and four co-opted members who are representatives of the Fund's employers and scheme members. Each member has equal voting rights. All members have a fixed tenure, which is driven by local authority elections for the elected councillor members. However, subject to meeting the criteria for their roles, existing members can be

reappointed. The Pension Board is made up of two employer representatives, two Scheme member representatives and one independent member who acts as the chair of the Pensions Board. All Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.

1.12 We are committed to reporting against the UK Stewardship Code. As a member of the WPP, we expect 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 updating and maintaining a voting policy and engagement principles that are in keeping with Local Authority Pension Fund Forum (LAPFF). The Fund achieved signatory status to the UK Stewardship Code in February 2023, following its submission in 2022.

1.13 As part of the Government's investment reform, we have participated in the development of the WPP to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation is the responsibility of WPP. We are committed to pooling our investments with WPP, and acknowledge that this presents challenges, and also significant opportunities to enhance our approach to RI. We have proactively engaged with WPP in developing WPP's RI policy and objectives and are confident that they will enable us to implement our own policies. The Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

1.14 Our approach, in line with the above beliefs, has been effective in producing above benchmark returns, improving the funding level, and addressing ESG concerns in a way that leaves the Fund in a strong position as it works to develop more specific ESG policies into 2023/24 and beyond.

- The estimated funding level of the Fund as at 31 March 2024 was c.109%, an improvement from c.91% as at 31 March 2019.
- The Fund has an allocation to Local / Impact strategies within the private markets' portfolio, which returned 6.4% and 22.4% p.a. over the one- and three-year periods, respectively.

Principle 2

Purpose and Governance

“Signatories’ governance, resources and incentives support stewardship”

2.1 Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund), for the benefit of employees and former employees of Flintshire County Council, two other local authorities (Wrexham and Denbighshire) and forty-nine (49) other large and small employers in North East Wales.

2.2 The main activities involved in managing the Fund are to make and manage investments and administer the payment of scheme benefits. In carrying out these duties, we comply with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and the Public Service Pensions Act 2013 and various other legislative requirements.

2.3 The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively, and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

2.4 The Council’s governance framework comprises an underlying set of legislative requirements, good practice principles and management processes, which support the philosophy of the Council’s operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

2.5 To help ensure that the governance framework is robust, the Council recognises the emphasis placed upon corporate governance by the Welsh Government and has developed a Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation. This is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council’s constitution and is available on the Council’s website. The operation of the Fund is governed by this code. The Fund produces its own Annual Governance Statement (AGS) which is in the annual report. Additionally, the Council also produces its own AGS, both of which review the effectiveness of the control environment.

2.6 As a fund, we have our own Governance Policy. This policy sets out our governance aims and objectives, and governance arrangements, including our governance structure and operational procedures for the delegation of responsibilities.

2.7 The Council delegates decision-making to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers, and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made of up of officers of the Council and advisors to the Fund.

2.8 The Committee has responsibility for all Fund matters including governance, investment and funding strategies, accounting, employer and scheme member engagement, communications, and administration. The Committee sets the policies for the Fund and is responsible for them. Fund officers and the Advisory Panel, to whom the Committee delegates the day-to-day running of the Fund, implement the policies set by the Committee. The Head of Clwyd Pension Fund has delegated powers for the management of the Fund on a day-to-day basis. The Chief Finance Officer, who is a member of the Advisory Panel, must ensure the proper financial management of the Fund in accordance with Section 151 of the Local Government Act 1972.

2.9 In addition, as required by legislation, we have a Local Pension Board (the Board) to assist the Fund in meeting its statutory and regulatory requirements while ensuring efficient and effective governance and administration. The Board comprises two member representatives, two scheme employer representatives (who are from employers other than Flintshire County Council as administering authority) and an independent chair. The Chair of the Board writes a report every year which is published within our Annual Report and Accounts, and we are proud of the collaborative relationship between the Board and Committee which we believe serves our stakeholders very well, including in relation to Stewardship. As an example, when we were asked to comment on the Stewardship themes by WPP's Voting and Engagement Provider (Robeco) during the year, we ensured that the Board's views were taken into account as well as those of the Committee. This reflects both the importance we place on stewardship and our goal of ensuring the views of all our stakeholders are appropriately represented.

2.10 We report in detail on how the Fund adheres to the legislative requirements in relation to governance every year in our Annual Report. We aim to go above and beyond the legislative requirements and ensure that we follow best practice, including the Pensions Regulator's guidance. During the year we developed additional Fund-specific policies such as our Equality, Diversity and Inclusion policy, Business Continuity policy and Cyber strategy. We also publish the Fund's governance policies, which are available on the Fund's website at the following link: [Clwyd Pension Fund Policies](#)

2.11 An example of this governance structure and policies in action is the Fund's investment into the Q- Energy Fund V, further details found in 7.10. Mercer, our investment advisors, provided a recommendation to investment into the Q-Energy Fund V based on our investment needs. This recommendation was then taken by the officers to the Head of Clwyd Pension Fund and the Section 151 Officer who have final approval and delegated

responsibility. This ensures that all necessary due diligence has been completed and that the investment remains in the best interest of our aims.

2.12 To support decision-making the Fund has a Knowledge and Skills Policy that applies to all Pension Fund Committee members, Pension Board members and senior officers. Significant resource is allocated to training and it is delivered in different formats, such as virtual, hybrid or in person, through several avenues including:

- A series of induction sessions for new Pension Fund Committee and Pension Board Members
- Fund-specific training sessions by officers, advisors and investment managers, sometimes as part of Committee meetings.
- Conference, seminars, and other externally organised training sessions/ events.

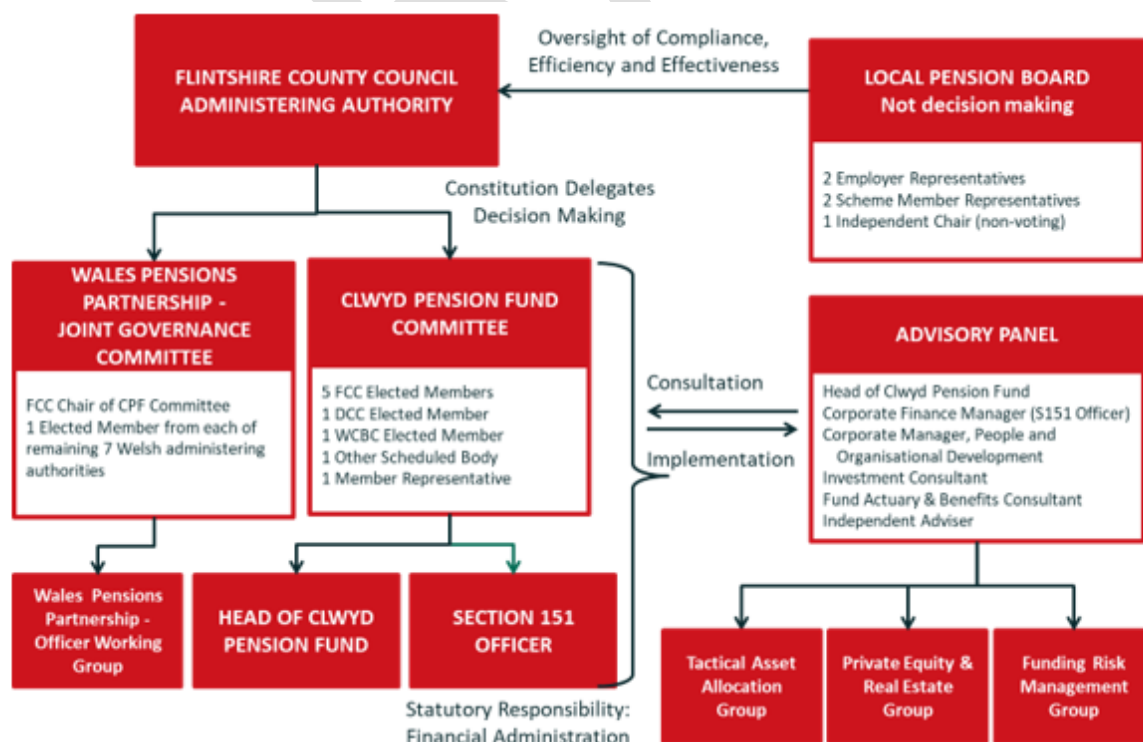
Costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board may receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.

The Knowledge and Skills Policy is aligned to meet CIPFA's Code and MiFID II requirements and has a range of objectives and targets covering induction, essential training and general awareness that are reported at each Committee. A training needs assessment is carried out regularly to help shape future training plans.

2.13 The Fund officers have undertaken various training sessions throughout the year to 31 March 2024, to not only maintain their knowledge of the local government pension scheme sector, but to also improve it. **The table below provides examples of the training sessions that have been attended by at least one of the Fund's officers, committee and board that has aided them in the stewardship of the Fund:**

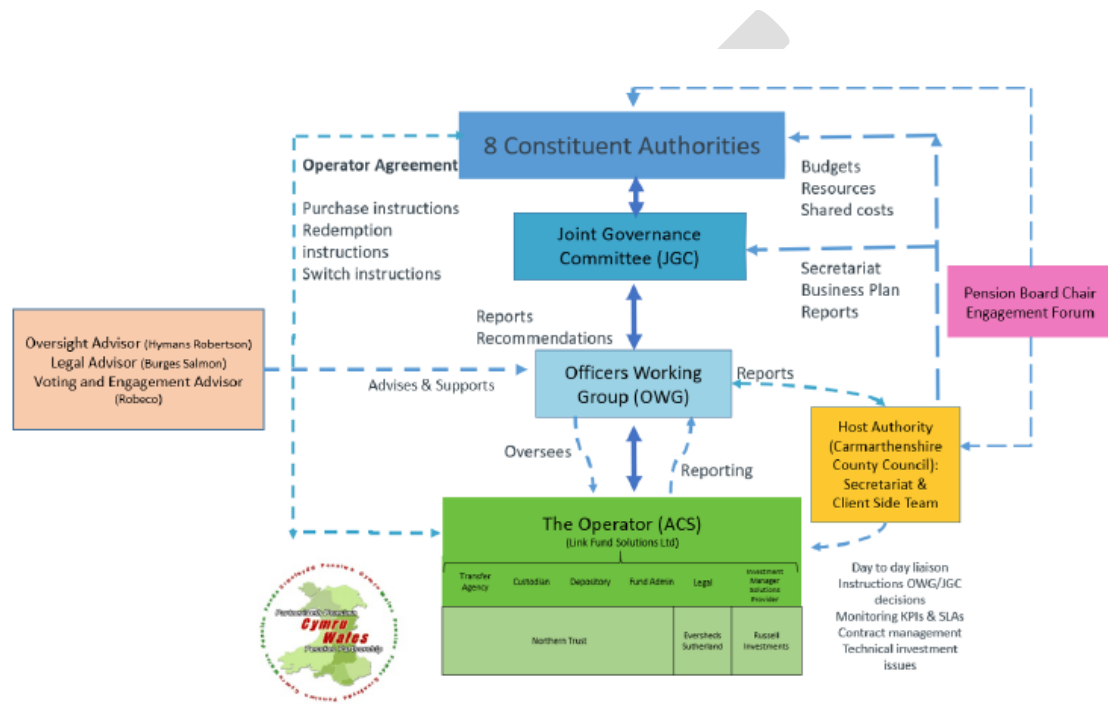
Training Date	Description of Training	Key Themes Discussed
12 May 2023	Investment Training	<ul style="list-style-type: none"> • Governance of Investments <ul style="list-style-type: none"> ○ Governance history ○ Requirements ○ Structure ○ Role of the WPP • Disinvestments <ul style="list-style-type: none"> ○ Reasons for and against ○ Fossil fuel exposure • TAA <ul style="list-style-type: none"> ○ Background ○ Structure & governance ○ Historical performance ○ Transition alignment
30 August 2023	Mercer – DLUHC Consultation Update	<ul style="list-style-type: none"> • Summary of recommendations • Levelling Up agenda • Consultation questions

2.14 The below diagram outlines the governance structure for pension fund matters, with each section of the governance structure explained further down in more detail:



2.15 Wales Pension Partnership (WPP)

The Wales Pension Partnership (WPP) was established in 2017 and represents a collaboration of the eight LGPS funds (Constituent Authorities), including Clwyd Pension Fund, covering the whole of Wales. WPP is one of eight national LGPS pools. Before the WPP was established, the eight Welsh Constituent Authorities had already been working together, having appointed BlackRock as the single passive manager in March 2016. The diagram below outlines the governance structure for the WPP.



WPP Sub-Groups (Clwyd Pension Fund officers are all on sub-groups):

- **Responsible Investment Sub-Group** – responsible for formulating and delivering WPP’s Responsible Investment Workplan, as well as liaising with the WPP’s Voting and Engagement Provider (Robeco). The group meet twice a quarter, has oversight and accountability of stewardship for all WPP Funds and includes officers of the Clwyd Pension Fund.
- **Risk Sub-Group** – responsible for monitoring, maintaining and implementing the WPP’s Risk Register and Policy. The group meet quarterly.
- **Private Market Sub-Group** – responsible for formulating and developing the WPP’s Private Market Sub-Fund(s). The group are currently meeting bi-weekly.
- **Procurement Sub-Group** – responsible for procurement exercises. Members will change depending on the procurement exercise. The group meet as and when required.

Further Information on WPP:

- Carmarthenshire County Council are the host authority for the WPP.
- Hymans Robertson – advisor to the WPP

- Burges Salmon – legal advisor to the WPP
- Robeco – Voting and Engagement provider
- Waystone – Operator of the pool
- Northern Trust – Custodian
- Bfinance – Allocator Advisor

Source: Wales Pension Partnership, <https://www.walespensionpartnership.org/>

Principle 7.5 details further how WPP has partnered with Link and Robeco.

2.16 Clwyd Pension Fund Officers

The key officers responsible for investment matters of the Clwyd Pension Fund currently include:

- **Philip Latham** – Head of the Clwyd Pension Fund
 - Has over 28 years’ experience with the Clwyd Pension Fund
- **Debbie Fielder** – Deputy Head of the Clwyd Pension Fund (since retired)
 - Has over 24 years’ experience with the Clwyd Pension Fund
- **Ieuan Hughes** – Graduate Trainee Investment Officer
 - Is currently studying for the Investment Management Certificate (IMC) to enhance his skills
- **Dave Bateman** – Pension Fund Accountant.

In anticipation of the retirement of the Deputy Head of the Fund, we hired Ieuan Hughes into the team in 2019 and he has been trained up in all areas to help support the historical knowledge and skills within the Fund and ensuring continuity going forward and throughout the year to 31 March 2024 has taken on more responsibility on the private markets’ investments of the Fund. In addition, the appointment maintains the local investment knowledge required to collaborate and challenge the WPP.

Officers of the Fund use their knowledge and experience with the help of their advisors to recommend policy and strategy to the Pension Committee. Officers help arrange and deliver training for the Committee in all subject matters including but not limited to investments, responsible investment, stewardship, risk management, governance. This ensures that the Committee have the appropriate knowledge and skills to make informed decisions on all matters related to the Fund.

Officers and employees are normally remunerated on a basic salary and benefits structure without performance related pay. They do not require further incentivisation, as all the officers believe in the culture and values of the Fund and are committed to running the Fund in a responsible manner. An example of this is within the Funds private market portfolio, the officers are only considering committing capital to Impact investments, to focus on the best outcomes for the greater good of society and create a positive impact locally.

Officers work in collaboration with the WPP on all pooling matters and are therefore closely involved in decision making in areas such as creation of new sub-funds, voting and

engagement, and monitoring of existing pooled managers. WPP also provide training sessions, much of which is open to all Pension Fund Committee and Board members.

The Fund is looking to pool more assets with the WPP, which will allow the Fund to utilise the WPP's resources, in areas such as voting, engagement and stewardship. This ultimately will reduce the resourcing pressures the Fund is currently facing.

As part of the WPP's remit in delivering the Fund's strategy, the WPP are also responsible for ensuring the Fund's engagement policy is delivered. This responsibility is then further delegated to Robeco who are appointed to engage on behalf of WPP, and therefore the Fund. Fund officers sit on the WPP RI subgroup to review voting and engagement activities conducted on the Fund's behalf. Fund officers engage regularly with the private market managers to understand the latest positions of these funds, their implementation of key objectives and any future plans. The Fund's membership of LAPFF ensures that the Fund is encouraging engagement with companies that the Fund potentially doesn't own, further enhancing the stewardship of the wider financial system.

2.17 Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members on the [Clwyd Pension Fund Committee](#) are not trustees of the Fund, however, they do have fiduciary and public law duties to the Fund's scheme members and employers, which is similar to the responsibilities of trustees in the private sector.

The Committee may delegate a limited range of its functions to one or more officers of Flintshire County Council, which it does so under a formal Scheme of Delegation, which ensures timely decision making at an appropriate level.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee, ensuring a clear separation of responsibility between the employer and the Scheme Manager's responsibilities. The Fund also has a Conflicts of Interest policy which is reviewed regularly.

The Pension Fund Committee meets five times a year, and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.
- Four co-opted members comprising:
 - One Councillor of Wrexham County Borough Council, determined by that Council.
 - One Councillor of Denbighshire County Council, determined by that Council.
 - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund.

- One Representative of the scheme members of the Clwyd Pension Fund (nominated by the Joint Trade Unions).

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. Councillors of Flintshire County Council are appointed annually. Otherwise, the terms of reference for the members range from four to six years. Members may be reappointed for further terms.

All members have equal voting rights, ensuring scheme member and employer representatives can equally contribute to the Fund's strategies, including in relation to investment and stewardship and how they are delivered.

2.18 Section 151 Officer – Corporate Finance Manager

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council. The Section 151 Officer is CIPFA qualified and is suitably experienced to lead the finance function.

2.19 Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established to provide advice and propose recommendations to the Pension Fund Committee, and to carry out any matters delegated to it by the Pension Fund Committee. Its membership consists of:

- Corporate Manager – People and Organisational Development
- The Chief Finance Officer of Flintshire County Council
- The Head of Clwyd Pension Fund
- Investment Consultant, Mercer
- Fund Actuary, Mercer
- Independent Advisor, Aon

2.20 Wales Pension Partnership Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered an Inter Authority Agreement to pool pension fund assets. A key part of how the pool operates is through appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found [here](#).

Over the reporting period, the Joint Governance Committee carried out a procurement for the Scheme Operator appointment. This involved the issue of an "Invitation to Tender" which prescribed qualitative and price-based questions for the bidders to respond to, together with the relevant evaluation criteria. A detailed evaluation process took place involving representatives from the eight constituent authorities and Hymans Robertson as WPP's oversight adviser. Following the process, it was agreed by the Joint Governance Committee to re-appoint Waystone for the Operator role.

The pool's Joint Governance Committee has a number of responsibilities including the following:

- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Our representative on the Joint Governance Committee is the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair acts as the Deputy.

The Joint Governance Committee meets at least four times each year and is composed of one elected member from each Administering Authority in Wales. These are:

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council.

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council for the pool, which means it is responsible for areas such as the following:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator

2.21 Wales Pension Partnership Officer Working Group

The Wales Pension Partnership Officer Working Group supports and advises the Joint Governance Committee as requested by them as well as any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates two officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of our officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement.

2.22 Pension Board

As required by legislation, we have established a local Pension Board to assist with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

The Board is not a committee of Flintshire County Council and so provides an element of independence overseeing the management of the Fund. In practice the Board works in partnership with the Committee and Fund officers, providing constructive challenge and input into the Fund's strategies and governance arrangements, including Stewardship.

The Pension Board is an important vehicle through which the views of key Fund stakeholders, i.e. members (beneficiaries) and employers, can be taken into account. The Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions.
- One Independent Member who acts as chair of the Pension Board.

All Board members, excluding the Independent Member, have individual voting rights but it is expected that the Pension Board will, as far as possible, reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged.

Principle 3

Purpose and Governance

“Signatories’ manage conflicts of interest to put the best interests of clients and beneficiaries first”

3.1 Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisors to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an employee or elected member of an employer participating in the LGPS or as an advisor to more than one LGPS administering authority. Additionally, any of those persons may have an individual personal, business, or other interests, which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

3.2 LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This does not mean those involved in the management of the Fund cannot have other roles or responsibilities, which may result in an actual or potential conflict of interest, so it is good practice to document how any such conflicts or potential conflicts are to be managed.

3.3 The Fund recognises the potential for conflicts to arise and has produced a Conflicts of Interest Policy, despite it not being a legal requirement. Our Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund, whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisors and aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It reflects our commitment to best practice governance, encouraging transparency and minimising the risk of any prejudiced decision making or management of the Fund. It is also reviewed regularly to ensure it remains up to date as circumstances evolve.

3.4 Our Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives. It applies to the Pension Fund Management Team and other senior officers involved with the management of the Fund. The Policy delegates the overall responsibility for implementing its requirements to the Head of Clwyd Pension Fund. The Head of Clwyd Pension Fund also monitors potential conflicts for all officers involved in the daily management of the Pension Fund and highlights this Policy to them, as they consider appropriate.

3.5 The Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

3.6 The Policy also applies to all advisors and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers.

3.7 The Policy can be found on the Fund's website – <https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

3.8 In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee has agreed a Conflicts of Interest Policy that applies to those involved in the Wales Pension Partnership, including the Joint Governance Committee members (which includes the Chair of the Clwyd Pension Fund Committee).

3.9 Our Policy includes procedures (set out below) which must be followed by all individuals to whom the policy applies. However, all members of the Pension Fund Committee (including co-opted members) have an overriding requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members' Code of Conduct relating to the treatment and disclosure of certain personal and prejudicial interests. For those members, disclosures under this policy may be in addition to disclosures under the Council's Code of Conduct.

3.10 Clwyd Pension Fund officers are employees of the Council and are subject to normal pay arrangements. Officers do not receive any performance related pay, or incentivisation for investing with investment managers or specific asset classes. The Head of Clwyd Pension Fund and the other officers are also only responsible for the Pension Fund and do not have any other further council responsibilities within their roles.

3.11 In 2021, Debbie Fielder the Deputy Head of the Clwyd Pension Fund was appointed to the board for Pensions for Purpose as a Non-Executive Director (NED). Pensions for purpose seeks to drive best practise on areas of investment. As a result, Debbie updated her Conflict-of-Interest disclosure and informed all parties required of the appointment.

What is required	How this will be done
Step 1 – Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest.
Step 2 – Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and in the Fund's Register of conflicts of interest.

In addition, the latest version of the Register will be made available by the Head of Clwyd Pension Fund to the Chair of every meeting prior to that meeting if required.

At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chair and the Head of the Clwyd Pension Fund prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Head of the Clwyd Pension Fund, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting, the notification must be made to the Head of the Clwyd Pension Fund and where it relates to the business of any meeting to the Chair of that meeting. The Head of the Clwyd Pension Fund, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Head of the Clwyd Pension Fund may seek such professional advice as they think fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.

Step 3 – Periodic review of potential and actual conflicts

At least once every 12 months, the Head of the Clwyd Pension Fund will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.

Principle 4

Purpose and Governance

“Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system”

4.1 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).

4.2 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 on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

4.3 The Fund’s overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing our 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. We acknowledge that good stewardship involves good risk management, and the Fund has a Risk Management Policy and Risk Register, both of which have been recently updated.

4.4 The Risk Management Policy clearly sets out how the Fund identifies, manages and monitors all risks that it faces. The policy also sets out its objectives which are:

- Integrate risk management into the culture and day-to-day activities of the Fund
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisors, 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

4.5 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 now reviewed monthly, with key risks being considered on a regular basis at the Committee and Advisory Panel meetings.

4.6 To enable us to manage risk and achieve our objectives, the Fund aims 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 (and other relevant guidance).

4.7 The Risk Register is presented to the Committee at each meeting, enabling the Fund's officers, advisors and Committee to discuss the risks that the Fund faces and how these risks will be managed. There are currently nine risk categories within the funding and investment section of the risk register and they are:

- Employer contributions are unaffordable and/or unstable
- Funding level reduces, increasing deficit / reducing surplus
- Investment targets are not achieved therefore materially reducing solvency / increasing contributions
- Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions
- Value of liabilities/contributions change due to demographics being out of line with assumptions
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient cash or liquid assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits
- The Fund's Long Term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.

4.8 Our ISS also addresses other relevant risks such as solvency and matchmaking risk, manager risk, liquidity risk, political risk, corporate governance risk, legislative risk, market risk (currency risk, interest rate risk and inflation risk). Ultimately, we seek 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.

4.9 In 2014, we set up the Cash & Risk Management Framework. This framework includes:

- Funding level monitoring
- Liability Hedging
- Synthetic Equity Portfolio
- Currency hedging
- Collateral management strategy

Following the 2023 strategy review, the framework was renamed to the Risk Management Framework following the development of a new strategic position for cash and liquidity, to support member benefit payments and private market investment drawdowns.

Funding Level Monitoring

Prior to March 2024, the Fund had a 110% funding level trigger in place, with the approximate funding level of the Fund monitored daily by Mercer 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 would be followed (as outlined in the “Delegation of Functions to officers by the Pension Fund Committee”) to formally confirm whether the trigger had been met and recommend to Committee whether any changes to the strategy were required.

At the end of February 2024 the 110% funding level trigger was breached, which prompted discussions between the Funding and Risk Management Group to formally confirm the trigger breach. This was presented to and ratified by the Committee at the March 2024 Committee meeting. On the basis of pre-agreed actions outlined in the Delegation of Functions to Officers by the Pension Fund Committee document, the Committee agreed to de-risk the investment strategy by reducing the Fund’s target equity exposure from 45% to 35% of total Fund assets.

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

In March 2014, we 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 2022 actuarial valuation and investment strategy review cycle, the officers and Fund’s actuarial and investment consultants reviewed the flightpath and made changes to the interest rate and inflation triggers. Changes included increasing the interest rate trigger levels, amending the proportion of interest rate notional exposure, additional inflation rate trigger levels and amending the proportion of inflation rate notional exposure.

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

We implemented a synthetic equity strategy in order to increase its expected return potential in a capital efficient manner. In order to manage the downside risks associated with the synthetic equity strategy, a static equity protection strategy was put in place, protecting against equity market falls on the equity exposure. This was in place from April 2017 until May 2018.

In May 2018, a new dynamic protection strategy was put in place. This provides improved flexibility and lower on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions.

We added additional synthetic equity exposure in late 2022, to replace physical equities that were sold to provide collateral to the LDI portfolio. This synthetic equity is a short-term position in order to maintain our strategic allocation to equity. This is being replaced over 2024 as the physical allocation to the sustainable active equity mandate is built up.

Currency hedging strategy

In August 2019, we implemented a currency hedging strategy to reduce the risk of a strengthening pound devaluing the value of our physical overseas equity holdings. This was in light of the continued weakening of sterling. As holders of overseas assets, we have 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.

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

4.10 As a fund we acknowledge that climate change presents a systemic financial risk that must be addressed, and for several years now our responsible investment policy has been a key focus. Our policy sets out the below Responsible Investment Principles:

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

4.11 The below responsible objectives outline the objectives within the updated ISS:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership

4.12 ISS guidance given by the Secretary of State states that administering authorities should become signatories to the Code, and states how they implement the principles on a “comply or explain” basis. In practice, we continue to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the LAPFF. As a member of the WPP, we expect 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.

4.13 We have continued to engage throughout the last financial year with local authority colleagues, regulators, and industry bodies as part of our wider commitment to improving the functioning of financial markets, including continuing our ongoing membership of the LAPFF and the Pensions and Lifetime Savings Association (PLSA). We engage with all of our directly appointed asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work.

4.14 We have actively engaged and participated in initiatives with the LAPFF through its membership. We were the second member to join the LAPFF in Wales, becoming a member in the early ‘noughties.

4.15 We have continued to be actively involved in, and have fulfilled our committed to investing in the new WPP Sustainable Active Equity Fund in June 2023. The Fund’s officers were heavily involved in the development of the WPP Sustainable Active Equity Fund along with the other Welsh funds. Demonstrating their ambition and drive to promote sustainable investment across Wales, which will not only benefit the Clwyd Pension Fund, but also other Welsh funds invested within the Welsh pool. Further information can be found in Principle 10.1.

4.16 We do not set any explicit expectations for the WPP; however, officers of the Fund have an active presence within the working groups of the WPP such as the RI-Sub working group. This allows us to take an active role in formulating and debating decisions that go into the production of new sub-funds available to all constituent authorities within Wales.

The expectation set around non-pooled asset managers is that Mercer will recommend those managers with the highest ESG ratings, in Mercer’s opinion, to allocate our capital to. Throughout the year to 31 March 2024, we undertook private market manager selection meetings with the help of Mercer, with a focus on Local/ Impact investing. We expect Mercer to provide sustainable and low carbon options for our investments through its Tactical Asset Allocation (“TAA”) where possible, this is evidenced by Mercer’s recommendation to invest

into the LGIM Future World Europe (ex UK) Equity Index Fund in February 2024 over a standard European equity fund. Further information is provided in section 7.6.

DRAFT

Principle 5

Purpose and Governance

“Signatories review their policies, assure their processes and assess the effectiveness of their activities”

5.1 The Fund’s procedures and policies are regularly reviewed by our officers, Committee, Advisory Panel and in some situations, by the Pension Board. These reviews support our stewardship activities. The ISS and Funding Strategy Statement (FSS) are formally approved by the Pensions Committee, and are reviewed at least every three years, to align with the Fund’s triennial actuarial valuation. However, both have been reviewed more frequently in recent years, reflecting our commitment to ensuring our policies remain appropriate and evolve as circumstance change. The review of the ISS and FSS aims to identify and implement any process improvements to reflect emerging / developing initiatives in the industry or required statutory changes. The review of these policies may result in further policies and procedures being drafted. For example, Mercer/Fund officers to add as they see fit. Our latest policies are available on the Fund website at the following link: [Clwyd Pension Fund Policies](#) and all key strategies and policies have a clearly defined period for review.

5.2 Fund officers regularly review information provided by WPP in respect of stewardship activities. This information, along with other relevant reports on voting and engagement are shared with the Committee on a quarterly basis.

5.3 We are committed to reviewing the Fund’s compliance against the latest Financial Reporting Council (FRC) Stewardship Code and we expect 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 updating 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.

5.4 There are several ways in which we seek assurance in relation to the Fund’s stewardship, for example:

- The Fund’s Annual Report and Financial Statements are externally audited; the most recently audited accounts for March 2023 received an unqualified audit opinion, representing a “true and fair view” of the Fund’s financial transactions to have taken place during the year and the year-end balance of assets and liabilities.
- Our officers carry out an annual review against the Pension Regulator’s General Code of Practice, to identify areas of compliance and non-compliance.
- The Fund regularly commissions an effectiveness review asking Committee/Board members for their views on the effectiveness of the Fund’s governance arrangements.
- The independent advisor carries out an annual review of the governance of the Fund as a whole, against Aon’s best practice governance framework. By seeking

external assurance from an independent third party, the Fund and its stakeholders can be confident of an unbiased and unprejudiced view of the effectiveness of our stewardship processes.

- When contracts are due for renewal, we follow the stringent procurement policies of the Council as set out in Flintshire's Contract Standing Orders, which includes a policy on responsible procurement to ensure that all high value procurements focus on delivering value for money and achieving additional economic, social, and environmental benefits.
- Our policies and strategies generally have clearly defined objectives and measures in place, which drive the content of the regular reports to the Committee.

5.5 The WPP has appointed Hymans Robertson as Oversight Advisors. Their role spans oversight and advice on governance arrangements, operator services, strategic investments aspects and project management support. One of the ongoing roles of the Oversight advisor will be to assess the management of the Sub-Funds and test the processes that are being employed, as outlined above. Hymans attend all OWG and JGC meetings.

5.6 The RI Subgroup has worked to develop reporting on the ESG and climate risk characteristics of Sub-Funds and intends to cascade this information down to Constituent Authorities. This reporting is being prepared independently of the reporting provided by the investment manager, serving to verify the information that is otherwise made available. Robeco also provide quarterly reporting on Voting and Engagement activity, which has been shared with Constituent Authorities.

Principle 6

Investment Approach

“Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them”

6.1 The Clwyd Pension Fund is part of the Local Government Pension Scheme, a statutory public service scheme providing defined benefits to its members based on their earnings and length of service and is administered by the Flintshire County Council on behalf of all employers in the Fund. Benefits are funded by member and employer contributions and investment returns. However, member benefits are guaranteed, so regardless of investment performance members will still receive their pensions, with the ultimate burden falling on the taxpayers if investment returns are not sufficient to ultimately meet the payment of future pensions.

6.2 We do not ask for members views with regards to stewardship, however when setting or reviewing policies we consult with the employers. The Fund’s Committee are also responsible for signing off the Fund’s investment strategy and ISS. As previously stated, the Committee is formed of 5 councillors and 4 co-opted members, one of which is a representative of the scheme members of the Fund

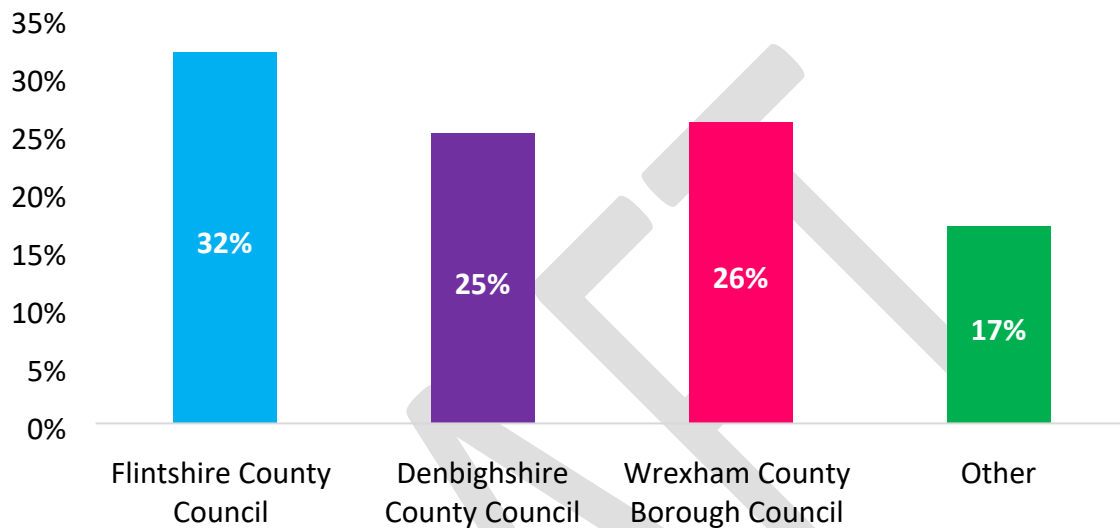
The Fund and its officers have always strived to consider responsible investment but note that responsible investment pursuits would not be taken if there was an expectation that it could conflict with the Fund’s fiduciary responsibility.

Through the Fund’s Impact portfolio, we have demonstrated that it has been able to achieve both strong positive performance as well as having a positive impact. This portfolio generated a return of +6.4% over the year to 31 March 2024. Such investments have looked to support the local communities within Wales. One of the latest investments in the Capital Dynamics Clean Energy Wales Fund is a prime example of the investments that have been made by the Fund to generate both a financial return and positive impact in relation to the local communities of Wales. Further information on this case study can be found in section 7.10.

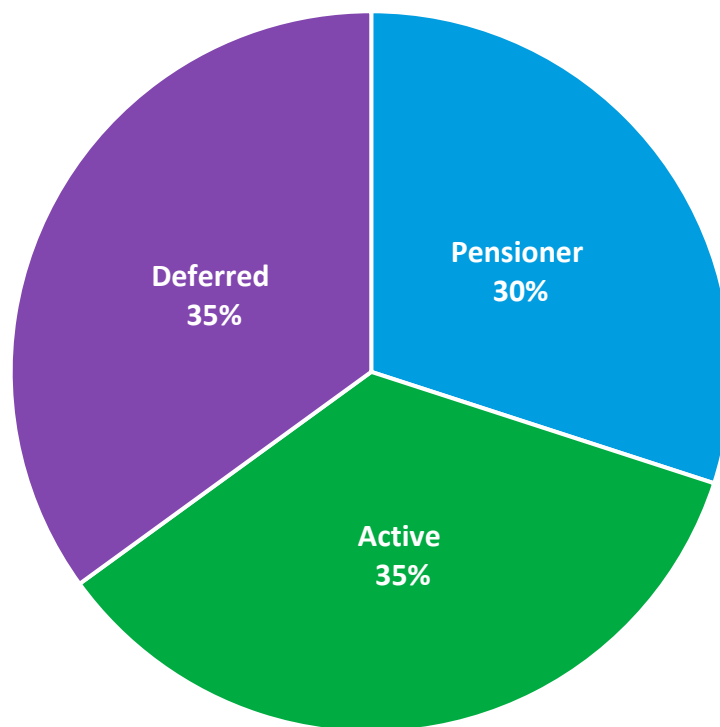
6.3 Whilst most members will be local authority employees (and ex-employees), other employers can also join the scheme where they are providing services in place of (or alongside) local authority services, such as contractors, housing associations and charities.

6.4 As at 31 March 2024, there were c. 49,000 members. The three unitary authorities are the largest employers in the Clwyd Pension Fund, representing 83% of the overall membership at the last valuation date. Membership by category and by employer is shown in the charts below:

Membership by Employer



Member Splits



Source: Mercer. As at 31 March 2024, based on the data provided for the actuarial valuation as at 31 March 2022.

6.5 The Fund's strategic allocation along with invested assets as at 31 March 2024 is set out below:

Asset Class	31 March 2024 (£m)	31 March 2024 (%)	Strategic Allocation (%)
Global Equity*	344.5	13.9	15.0
Multi-Asset Credit	251.5	10.2	12.0
Hedge Funds	121.1	4.9	0.0
Tactical Allocation Portfolio	283.3	11.4	11.0
Property (Private Markets)	113.6	4.6	4.0
Local/ Impact (Private Markets)	142.8	5.8	8.0
Timber/ Agriculture (Private Markets)	9.5	0.4	0.0
Total Private Equity (Private Markets)	219.7	8.9	8.0
Total Infrastructure (Private Markets)	148.3	6.0	6.0
Total Private Debt (Private Markets)	62.6	2.5	3.0
Cash and Risk Management Framework	653.2	26.4	28.0
Strategic Cash and Liquidity	125.1	5.1	5.0
Total Clwyd Pension Fund	2,475.2	100.0	

Source: Investment Managers. Totals may not sum due to rounding.

*Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.

6.6 WPP vs Non-WPP Funds:

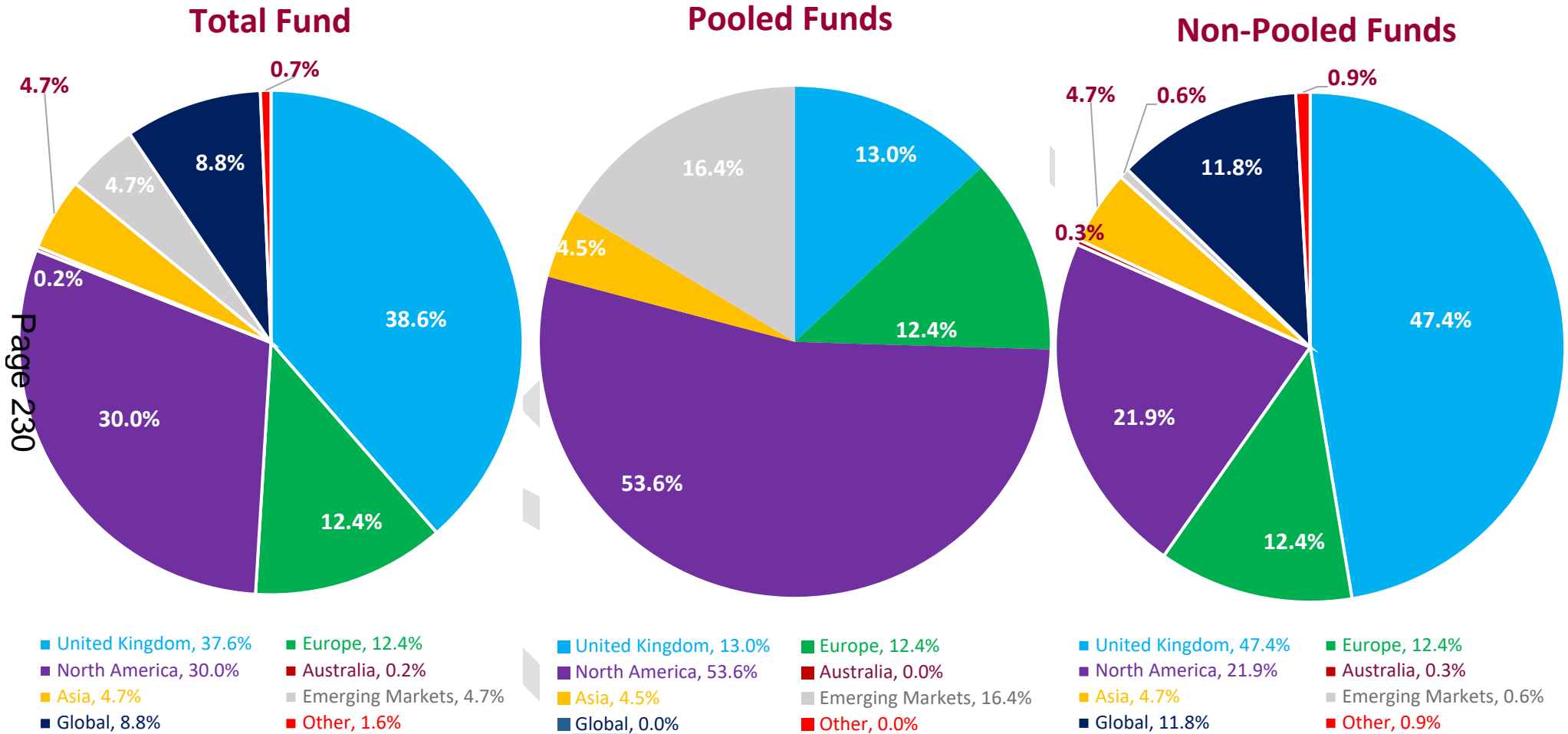
	31 March 2024 (£m)	Weight (%)	Strategic Weight (%)
Pooled Assets			
Global Equity*	344.5	13.9	15.0
Multi-Asset Credit	251.5	10.2	12.0
WPP Private Equity (Private Markets)	16.5	0.7	8.0**
WPP Infrastructure (Private Markets)	15.4	0.6	6.0**
WPP Private Debt (Private Markets)	4.7	0.2	3.0**
Total WPP Assets	632.7	25.6	44.0
Non-pooled Assets			
Hedge Funds	121.1	4.9	0.0
Tactical Allocation Portfolio	283.3	11.4	11.0
Property (Private Markets)	113.6	4.6	4.0
Local/ Impact (Private Markets)	142.8	5.8	8.0
Timber/ Agriculture (Private Markets)	9.5	0.4	0.0
Private Equity (Private Markets)	203.2	8.2	8.0**
Infrastructure (Private Markets)	132.8	5.4	6.0**
Private Debt (Private Markets)	57.9	2.3	3.0**
Cash and Risk Management Framework	653.2	26.4	28.0
Strategic Cash and Liquidity	125.1	5.1	5.0
Total Non-WPP Assets	1,842.5	74.4	73.0
Total Assets	2,475.2	100.0	100.0

Source: Investment Managers. Totals may not sum due to rounding.

Note: Cash represents cash in the Trustee Bank Account. Pooled assets relate to assets invested via the Wales Pension Partnership.

* Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8. ** target allocation includes pooled and non-pooled assets

6.7 Geographic Splits



Source: Investment Managers. Totals may not sum due to rounding. Totals are approximate based on a high-level breakdown of assets under management as at 31 March 2024.

Geographic Splits (continued)

The above charts demonstrate the geographic splits of the current assets under management for Clwyd Pension Fund as at 31 March 2024.

The Fund's current assets invested via the Wales Pension Partnership was 26%, leaving 74% of assets invested outside the pool.

6.8 Post year-end the Fund's allocation to global equities includes a 15% strategic allocation commitment to the WPP Sustainable Active Equity Fund.

Private Markets

6.9 We have always been committed to making responsible decisions and acting in a responsible manner. In 2012, we engaged with managers on matters pertaining to ESG by sending out surveys to all the private market managers on such matters. In 2017, we had a sustainability policy in place, which was well before any formal requirement for such. At the time we supported investments with strong sustainability / impact focus and increased its allocation to infrastructure from 4% to 8%, with a clean energy emphasis. We also wrote to all private equity and real asset managers to determine how aligned the current investments were to the United Nations' Sustainable Development Goals (UNSDG).

6.10 We currently has an 8% target allocation to Local/Impact investments in its private markets portfolio. Investments made within the Local/Impact private markets portfolio can be made to any asset class, so long as the strategy has either a clear and demonstrable Impact focus, or a mandate to invest locally within the United Kingdom. Where possible, investments local to Wales are considered.

Outside of the Local/Impact portfolio, we also endeavoured to make impact or sustainability-focused investments across the wider private markets' portfolio (Private Equity, Private Debt, Infrastructure and Real Estate) where possible, subject to the availability of appropriate investable opportunities in the market.

Stewardship is integrated into the manager selection process through Mercer's ESG ratings process. This looks at the ESG (environmental, social, and corporate governance) practices in place at both the manager and the fund level and awards the strategy from ESG1 to ESG4 (ESG1 being the highest score, and ESG4 being the lowest). All strategies considered for inclusion in the Fund's private markets portfolio must have been assigned a minimum score of ESG2 by Mercer.

Investments made over the period from 1 April 2023 to 31 March 2024:

Private Market Manager	Fund Name	Capital Committed (£m)
Q-Energy Private Equity	Q-Energy Fund V	~10
Ambienta	Ambienta Sustainable Credit Opportunities	~10
Bridges Fund Management	Bridges Property Alternatives Fund VI	10
Mercer	Mercer Private Investment Partners VII – Global Impact	40

Note: Where appropriate, Euro (€) and US Dollar (\$) denominated commitment amounts have been converted into Sterling (£) commitment amounts using the exchange rates at the time the commitment was made.

*These commitments were mentioned in last year's report but were finalised during this year's reporting period.

Further details on the 5 commitments are given in Principle 7.

6.11 When making private markets commitments, we receive a Research Report from Mercer on all potential commitments. In these reports, each fund is given an ESG score and there is a section of the report dedicated to ESG. We take these ESG scores into account when deciding whether or not to commit to a particular private markets manager.

6.12 We take a long-term view with regards its investment and funding strategies, given the long-term nature of the payments due to beneficiaries over multiple decades. Our primary investment objective therefore is to achieve 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. This means that we inherently take a long-term view to investing in order to align our investments with our long-term liabilities.

6.13 Our strategies are decided at the Pension Fund Committee, which has scheme member and employer representation. Members of the Pension Board also have the opportunity to feed into the investment strategies as they participate in Pension Fund Committee meetings. Further to this, the ISS and FSS are shared with all employers as part of the consultation.

6.14 We were instrumental in driving the addition of a co-opted member on to the Joint Governance Committee to ensure that there is scheme member representation at the body carrying out engagement on behalf of the Fund.

6.15 Our Communication Strategy can be found here:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>.

The aim of this Communication Strategy is to ensure that scheme members understand the benefits of the scheme and all stakeholders are kept informed of developments within the

Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme. The Communication strategy is available in both English and Welsh.

6.16 Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

6.17 We publish our Communication Strategy online, that is focused on the following areas:

- Improving member experience and enhancing self-service.
- Identifying smart ways of working on the communications.
- Simplifying language and communicating more concisely.
- Refreshing the Fund’s visual identity.
- Broadening delivery channels to members.
- Developing a segmented approach to engagement.

6.18 Our overriding objectives in relation to communications are:

- Increasing awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions.
- Communicating in a clear, concise manner.
- Ensuring it uses 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.
- Looking 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

In relation to member communications, the Fund want the engagement activities to be to:

In relation to employer communications, the Fund want the engagement activities to be to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.
- Maintain and build positive member experiences along every member’s journey, wherever they are on their journey.

- Increase awareness and understanding of the information required by the Fund from employers.
- Encourage employers to take ownership of the data and help their employees understand the broader benefits of the pension scheme.
- Maintain and build positive relationships with employers regardless of size or pensions expertise.

- Reduce the need for face-to-face meetings and phone calls.
- Make the management of the Fund more efficient for both the Fund and employers.

6.19 We communicate with our members via several methods, including, but not limited to the below, our website and Annual reports are the two main communication channels for updating members on the Funds stewardship and investment activities:

Communication Method	Description
Website	<p>Our website http://www.cronfabensiynauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained on the national LGPS website at https://www.lgpsmember.org</p> <p>Clwyd Pension Fund’s website has to adhere to national standards regarding accessibility to the website and how the content is structured.</p>
Member Self Service (MSS)	<p>Member Self Service is available to the Fund's scheme members. It allows members to log into a secure web area to view information held on their Fund record. Some of the facilities available to members include ability to update their own personal details, update death grant expressions of wish, calculate retirement estimates and review Annual Benefit Statements online. Electronic communications are issued directly to scheme members via the Member Self Service facility; these are generally via an email alert directing the member to log into their Member Self Service to view the relevant information.</p>
Annual Benefit Statement	<p>These statements are distributed annually to all active and deferred scheme members. These statements are issued to members via their Member Self Service accounts and are</p>

downloadable from there. Paper statements are only issued to home addresses by member request.

Generic Newsletters

We issue a periodic newsletter called Penpal to contributing members, bringing to their attention information such as changes to scheme rules, and including important Facts & Figures from the Annual Report. This is issued once a year.

We also send a newsletter once per year to its pensioners entitled Clwyd Catch Up. This is usually sent with the annual pensions increase notification and explains how their new annual rate of pension has been calculated. It also includes topical information such as relating to the budget and State benefits.

Annual Report

The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment principles, funding strategy, risk, governance, audit and administration. It is available on our website.

6.20 To ensure the delivery of the communication strategy evolves we want to ensure that they are meeting its objectives, which are stated in section 6.17. We will do this by monitoring the progress as shown below:

Objective/Measure	Monitoring	Specific targets
<ul style="list-style-type: none"> • Increase awareness and understanding of the Scheme/Fund and how it works. 	<ul style="list-style-type: none"> • Feedback through annual member and employer surveys and listening groups. Collate informal feedback when any communication is sent out. • Monitor compliments and complaints from member and employer emails and calls to the Fund. 	<ul style="list-style-type: none"> • Surveys: 90% positive responses.
<ul style="list-style-type: none"> • Maintain and build positive member experiences/employer relationships 	<ul style="list-style-type: none"> • Feedback through annual member- and employer-specific survey and listening groups: target 90% positive responses. • Monitor compliments and complaints from member emails and calls to the Fund. 	
<ul style="list-style-type: none"> • Ensure we use the most appropriate means of taking into account the different needs of different stakeholders. 	<ul style="list-style-type: none"> • Feedback through annual member- and employer-specific survey and listening groups. 	

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Encourage members / employers to take ownership of their pension / information required. | <ul style="list-style-type: none"> • Track video and podcast usage. • Track take-up of MSS (members). • Track click throughs of all online communication. • Monitor website usage • | <ul style="list-style-type: none"> • Video, podcast, online communication and website usage –ongoing increases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. |
| <ul style="list-style-type: none"> • Reduce the need for face-to-face meetings and phone calls by scheme members. | <ul style="list-style-type: none"> • Track member calls and face to face meetings. | <ul style="list-style-type: none"> • Ongoing decreases. |
| <ul style="list-style-type: none"> • Make the management of the Fund more efficient for both the Fund and employers. • Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working. | <ul style="list-style-type: none"> • Monitor the workload of the Administration Team relating to ad hoc enquiries. • Track employer and member emails and calls, and face to face meetings. • Track take-up of MSS (members). • Ensure mandatory use of i-Connect by all employers. • Track click throughs of all online communication. | <ul style="list-style-type: none"> • Ad hoc enquiries, emails, calls and face to face meetings –ongoing decreases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. • i-Connect take up: 100% of employers. |
| <ul style="list-style-type: none"> • Regularly evaluate the effectiveness of communications | <ul style="list-style-type: none"> • Regularly reviewing communications plan and strategy based on monitoring mentioned above. | |

and shape future communications
appropriately.

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6.21 As previously noted in section 1.8 the new Communications Strategy should allow a **greater** proportion of stakeholders will receive relevant and focussed communications, and understand the benefits of the scheme, whilst reducing the need for face-to-face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

Following the implementation of the new Communications Strategy:

- Satisfaction surveys were issued to all members and employers. The number of responses from members was slightly higher than the industry benchmark of 5%, which is positive.
- As part of the satisfaction survey, scheme members were asked to provide their details if they would like to volunteer to be part of a Communications Focus Group. A total of 73 members volunteered covering all types of membership. Acknowledgement letters have been issued with details of the first focus group action (if applicable to their type of membership).

Principle 7

Investment Approach

“Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities”

7.1 We acknowledge that ESG risks (including climate change) present risks to the overall stability of the economy and country, with the potential to impact the members, employers and holdings of the portfolio. Although we are not required to consider the impact of climate change, the Committee believe that consideration of these risks is crucial for the Fund as a long-term sustainable investor. As well as creating risks ESG can presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

7.2 Our Pension Committee believes that ESG (including climate change) risks should be considered on an ongoing basis as a priority and that management of those risks is consistent with the Committee’s fiduciary duty as set out in its investment beliefs. ESG considerations are an integral part of the Fund’s strategy as a long-term investor and have been considered as part of the Fund’s Triennial strategy review, which took place late 2022/ early 2023. A key change in relation to taking into account ESG risks was in respect of the new 15% commitment to the WPP Sustainable Active Equity Fund.

7.3 The Responsible Investment Policy will support our specific RI aims with the funding and investments specific objectives:

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

7.4 As part of its commitment to RI we have 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 (see principle 4.11 for further responsible objectives within ISS)
- 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 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 in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

We 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.

Over the period the Committee agreed an ‘Exclusions Policy’ in relation to its listed equity holdings. The Exclusion Policy is provided below for reference.

Exclusions Policy

We have 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 from which breach the following thresholds	Minimum Objective	Fund’s Ambition
[x%] or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
[x%] or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%

[x%] 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%
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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.

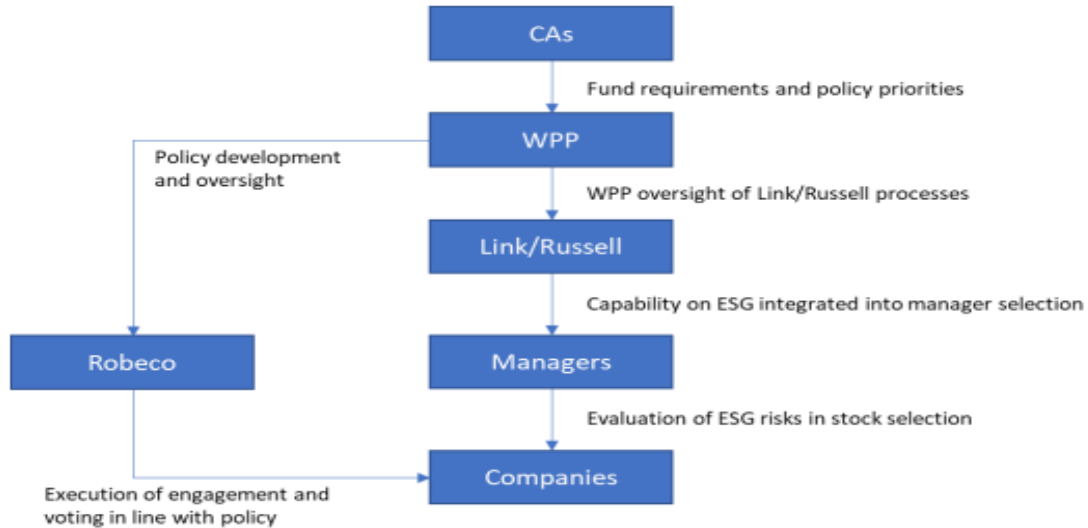
Our ambition is to implement the above “Fund’s Ambition” exclusion policy. It is recognised that at present there are limited implementation options for this policy. As a result, we have established a “Minimum Objective” exclusion policy, which is aligned with the Paris Aligned Benchmark and as such is more achievable.

We recognise that in order to implement the exclusions policy it will need to work with the Wales Pension Partnership. Given the pooled fund nature of the investments, we 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.

7.5 The Fund is invested in a wide range of asset classes with different investment managers but has not been through any formal tenders over the period. The Fund is predominantly moving towards assets that are pooled within the Wales Pension Partnership. WPP currently manage all of the Fund’s active and passive equity strategies as well as the Fund’s credit strategy.

WPP has partnered with Link (the group operator) and Russell for the implementation of its sub-funds for which Clwyd Pension Fund invest. WPP has also partnered with Robeco for policy development oversight and execution of engagement and voting within the agreed policies. WPP are responsible for the development of appropriate funds and policies and the continued oversight of its partners.

We have worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds.



A table charting the relationships between providers and WPP is provided above for context.

During 2021/22 officers of the Fund were involved in the procurement of Private Market Allocators for the WPP. This involved agreeing the tender specification including a section on ESG. There was a total of 25 specific questions on ESG, examples of which are provided below:

- Is your firm currently a signatory to the UK Stewardship Code?
- What is your firm’s ESG philosophy?
- Please describe how ESG is integrated into the investment process.
- Are any external resources or organisations used for ESG analysis?
- Is ESG incorporated into reporting?
- Does your firm have in place policies relating to diversity and inclusion? If yes, describe and comment on the extent to which their impact is tracked
- Does your firm have in place policies on human rights and prevent modern slavery? If yes, describe a description and any plans for further development
- Does your firm support and report against TCFD?

The procurement and set-up process for Private Market Allocators for the WPP was still in progress over the period from 1 April 2023 to 31 March 2024, the majority of Private Market allocators have been selected with the Fund allocating through these allocators to Private Equity, Infrastructure, Private Credit, Property and Timber/Agriculture, however some allocations relating to Local/Impact investments are made outside of the pool. We have continued to take recommendations from our Investment Consultant, Mercer, in relation to allocations to be made to Private Market funds to ensure the Fund maintains its strategic weights. We have mandated that allocations may only be made to funds which have an investable rating from Mercer and either an ESG1 or ESG2 rating from Mercer (these being the two highest ESG ratings available from Mercer) in addition to a thorough investment due diligence process required for each of the Fund’s allocations. We also worked with

Mercer over the year to continue to support the process for ongoing monitoring of its Private Markets managers. We arranged a series of meetings with managers, both in person and virtual. Managers were sent a list of questions and a quantitative questionnaire in advance of these meetings. There was a focus on collating responsible investing and carbon metric data, where available, from the Private Markets managers. There is a known lack of data availability in private markets, and we are an advocate for improved data provision and transparency. This work will continue in future years as data gaps still remain in some legacy assets.

7.6 Within the Tactical Asset Allocation (which takes a dynamic strategy approach to take advantage of short-term investment opportunities) the ethos is to comply with the Fund's RI policy or explain any exceptions that is required to efficiently operate.

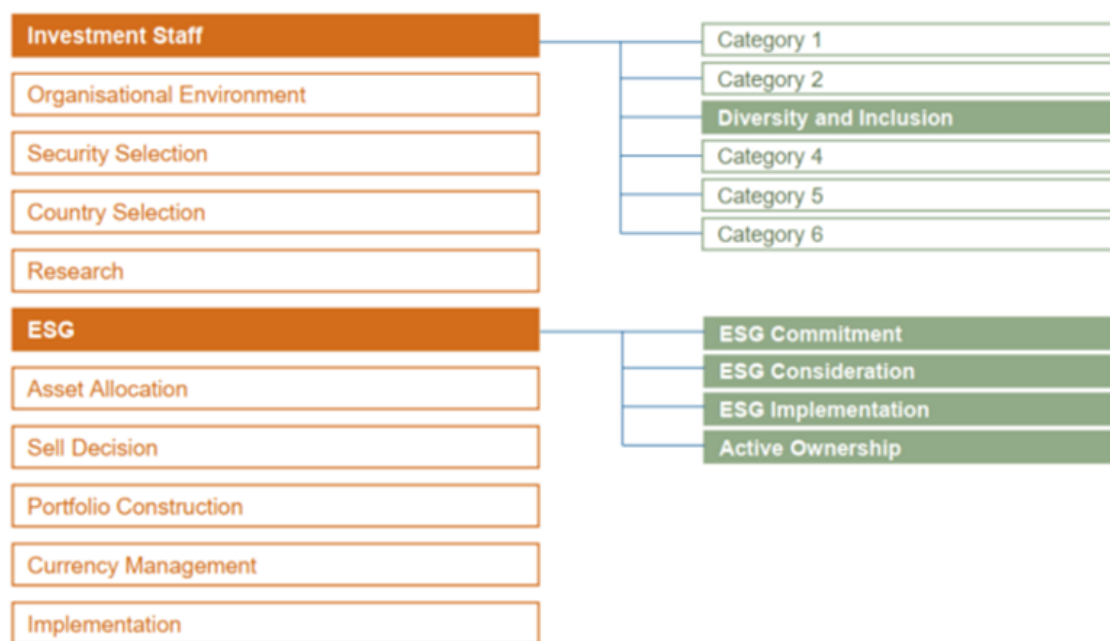
Wherever there is a Mercer ESG1 or ESG2 rated fund within the recommended asset class on the Mobius platform, Mercer should either recommend that fund or explain in writing the rationale for choosing an alternative non-ESG rated funds.

7.7 We have always sought to act with due consideration 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. The Fund's RI Policy is 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.

7.8 We have worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds. A recent example of this was in the creation of the WPP Sustainable Active Equity Fund, which we have since invested in on the on 20 June 2023. We collaborated with other WPP partner funds, as well as WPP and Russell in designing a detailed specification for the Fund. Several Welsh funds have since invested into the new fund in which the officers were heavily involved in developing. At the time of writing, the WPP Sustainable Active Equity Fund had over £1bn asset under management, which is a great outcome for the whole of Wales and a positive step in the right direction to invest in a sustainable future for all.

7.9 The Fund and WPP expect that all investment managers employed within WPP properly consider climate change and other ESG risks in their decision-making process. This is also considered by Russell as part of their evaluation of investment managers during the fund structure design and on an ongoing basis through annual reports to WPP. An illustrative example of how these considerations are factored into initial and ongoing evaluation of underlying managers is shown in the illustrative framework and more information can be found in [WPP's Stewardship Code](#) submission document.

Illustration of Russell evaluation framework



7.10 As mentioned in principle 6.9, we have substantially increased its commitments to Impact focused portfolios within its Private Market mandates. The following tables provide detailed information on these commitments.

Private Market Manager	Fund Name	Capital Committed (£m)
Q-Energy Private Equity	Q-Energy Fund V	~10
Description of fund Impact/ESG		
<p>Q-Energy V is a European renewables value-add infrastructure strategy that seeks to assemble a portfolio of primarily small-scale solar and wind farms as well as energy storage and biogas with focus on Germany, Spain, Italy and Poland.</p> <p>Q-Energy V will be an Article 9 Fund under the Sustainable Finance Disclosure Regulation (SFDR). ETF I will contribute to a number of the UN Sustainable Development Goals: SDG 6 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 13 (climate action). CIP has strongly integrated ESG considerations on a firm-level as well as in its screening and investment processes. A main element across all of CIP's strategies including ETF I is to have a positive environmental impact through the developed assets.</p>		

Private Market Manager	Fund Name	Capital Committed (£m)
Ambienta	Ambienta Sustainable Credit Opportunities Fund I	~10

Description of fund Impact/ESG

Ambienta Sustainable Credit Opportunities Fund I (AmSCO) is a first-time Fund by Ambienta focuses on lending to European-based “Environmental Champions”. The Fund employs a heavy focus on companies expected to be the beneficiaries of long-term secular environmental trends. AmSCO looks to provide loans to European firms that sit within two key underlying themes: resource efficiency and pollution control, and exclusively invests in firms that target contributions to the UN Sustainable Development Goals.

Ambienta’s approach to ESG is centred around a core set of values and principles and is governed through four key pillars. These are a 1) board-driven approach to the responsible investment policy, 2) a robust ESG in Action program, 3) dedicated support from the in-house Sustainability and Strategy team, and 4) an internal accountability system for ESG integration. The Fund is classified as Article 9 under the EU’s SFDR taxonomy regulation.

Private Market Manager	Fund Name	Capital Committed (£m)
Bridges Fund Management	Bridges Property Alternatives Fund VI	10

Description of fund Impact/ESG

Bridges Property Alternatives Fund VI (BPAF VI) is managed by Bridges Fund Management. BPAF VI looks to invest in real estate assets where a demonstratable positive social or environmental impact can be attained. Fund will aim to allocate 75% of its investments in the UK. The remaining 25% of investments will be across Western Europe.

At a sector level, the Fund will primarily focus on needs-driven occupational sectors including healthcare, residential and low carbon last mile distribution. BPAF VI targets low-cost and affordable housing in major cities and healthcare and senior living accommodation.

Bridges integrates ESG throughout its business, through its structure, policies and practices and its investment approach. It has a large Impact Management team which deployed across its real estate and private equity strategies. Across each of these strategies, Bridges has a strong focus on delivering impact. The Fund is classified as Article 9 under the EU’s SFDR taxonomy regulation.

Private Market Manager	Fund Name	Capital Committed (£m)
Mercer	Mercer PIP VII Global Impact	40

Description of fund Impact/ESG

Mercer PIP VII Global Impact is a Fund of Funds which has the flexibility to invest across global private market asset classes. The Fund aims to invest in line with environmental and social impact themes including climate change, health planet, resource stewardship, basic needs and wellbeing and empowerment.

The underlying Funds aim to be exposed to a well-diversified portfolio of companies and assets with strong ESG credentials. Geographically, the Fund is expected to be broadly diversified across North America and Western Europe, with a smaller allowance for Emerging Markets. While the Fund will invest in all private market asset classes, Mercer expects the overwhelming majority of investments to be made in Private Equity and Real Assets.

The Fund follows a variety of environmental and social impact themes mapped to relevant United Nations' Sustainable Development Goals. In addition to the regular sustainability assessment measuring ESG integration, a dedicated impact assessment is undertaken to directly link investments to the relevant impact theme. The Fund is classified as Article 8 under the EU's SFDR taxonomy regulation.

7.11 Before the addition of the above capital commitments to our Local/ Impact portfolio, our private market mandate was already invested in a number of holdings that were actively involved in making an impact in relation to ESG factors, despite not being solely impact focussed. The below table provides a detailed example of one such Fund within our Private Market portfolio:

Private Market Manager	Fund Name	Current NAV (£m)
WAITING ON DATA REQUESTS		

*The Fund is open-ended and therefore current NAV is used, as it is a more representative figure than the original commitment.

Principle 8

Investment Approach

“Signatories monitor and hold to account managers and/or service providers”

8.1 We actively monitor all underlying managers and service providers to ensure that they are delivering the services as expected. We believe this is an effective way of monitoring all parties and is necessary in promoting good stewardship practises. Monitoring is measured through a number of methods explained below.

8.2 We monitor its underlying managers through regular catchups either in person or virtual and also through the Wales Pension Partnership. The Head of the Pension Fund, Philip Latham also completes annual review meetings with all service providers including, but not limited to, our Investment Consultant and Independent Advisor. Further information is given below on how the reviews are completed.

8.3 We monitor our investment consultant, Mercer, through regular monthly investment day meetings. Mercer provide quarterly performance reports, which summarise individual manager performance and total Scheme performance against their respective benchmarks. Mercer also provide fund and ESG score ratings where available to each of the strategies within the portfolio, (including new private market mandates) and provide the latest manager research available covering items such as manager updates, business updates or general information. In addition, Mercer also provide economic reports, which summarise the latest market information. In conjunction with the Tactical Asset Allocation (TAA) portfolio, Mercer provide a monthly report covering the latest position. These reports support the regular monthly investment day meetings where officers discuss the latest position and take active decisions on the portfolio. Where Mercer and/ or officers of the Fund have concern over any of the underlying managers, these managers are investigated and if the outlook does not look positive for the fund/s in question, these would be removed from the portfolio either partial or in full.

8.4 In compliance with “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the order) we established a list of strategic objectives for its investment consultants, Mercer. The objectives may be revised at any time but are reviewed at least every three years, and after any significant change to the Fund’s investment strategy and objectives. We monitor adherence to the objectives annually and engage with Mercer to discuss areas that are working well, and areas of concerns. Examples of the objectives we monitor Mercer against are shown on the next page.

We monitor Mercer against several objectives, which form the “Overall Objective”, including:

- Alignment of services with Overall Objectives
- Investment Strategy Objective
- Investment Strategy Statement
- Responsible Investment Objective

- Investment Manager Selection Objective
- Implementation Objective
- Tactical Asset Allocation Portfolio
- Monitoring Objective

8.5 Aon Evaluation

We regularly review the Aon (the Independent Advisor), scoring 1-5 on several objectives, 1 being substantial improvement required and 5 being consistently outperforms the required objective. We score the provider on a list of objectives, which cover a broad range of topics including:

- Governance objectives
- Tender requirements
- Resource, budget and timeliness

The evaluation process takes place across all service providers to ensure that the Fund keeps all service providers accountable for deliverables and addressing areas of improvement required.

8.6 Fund officers regularly engage with the underlying investment managers via email, video conferencing and face-to-face meetings. Over the 12 months to 31 March 2024, the Fund's officers have engaged in some form with all managers. Investment managers include Russell, Man Group, BlackRock and Insight etc. In doing so, this keeps us up to date with the latest information provided by the managers and allows the officers to highlight and query any issues they may have in regard to performance or the overall running of the funds.

A key example of such engagement over the year to 31 March 2024 occurred in March 2024, when the officers with the support of their investment consultant, Mercer, engaged with the Fund's underlying managers, regarding the exposure of their funds to fossil fuel in line with the agreed exclusions policy. The officers collated the underlying manager's total exposure. The outcome of the engagement was mixed due to some managers being unable to analyse their holdings within the criteria we requested.

8.7 In 2022, in consultation with Mercer, we developed a monitoring template, which we use to monitor our Private Market managers. The template specifically picks up information from the managers on ESG and Impact, including:

- Does the manager have a Sustainable Investment Policy?
- Is the manager doing anything to contribute to net zero or to a specified carbon emissions reduction target?
- Impact/ESG considerations that will help with TCFD and TNFD reporting
- Is the fund (or any of the underlying investments) aligned with any of the SDGs? Explaining which ones.
- Are the funds subject to the Sustainable Finance Disclosure Regulation? If so, please advise whether the fund is categorised as Article 6, Article 8 or Article 9 under the SFDR?

The monitoring template was used over the period to 31 March 2024 as part of the ongoing monitoring of existing private market managers. Officers and Mercer met with managers over the period to review mandates and keep an active dialogue to enable effective stewardship of mandates. We continue to work with its private market managers to improve RI data and disclosures and support industry wide initiatives to establish a consistent set of data from in line with the IIGCC (Institutional Investors Group on Climate Change) guidance.

8.8 WPP's selected investment managers such as Russell Investments provide monthly valuation statements and quarterly performance reports for the underlying funds. WPP hold regular business update meetings with clients to discuss updates on pooling and discuss any new developments such as new funds coming to into the pool. Officers are in regular communication with WPP and play an integral part in the feedback of existing and upcoming mandates, as well as covering all aspects of Fund management. Further to the above, we also receive a Voting and Engagement Report from Robeco and a Responsible Investment & Climate Risk Report from Hymans Robertson.

The key service providers for the WPP are Link Fund Solutions and Russell Investments, with the host authority (Carmarthenshire) being responsible for monitoring the performance of both Link and Russell. The host authority produces reports that are subsequently delivered to the individual constituent authorities. The WPP Officer Working Group, receive quarterly performance updates on key performance indicators, and at the WPP Officer Working Group individual constituent authorities are given the opportunity to challenge the performance of both Link and Russell and provide their feedback.

8.9 Our investment solution provider appointed through the pool (Russell) report to the Joint Governance Committee (JGC, see diagram in 2.12) on a quarterly basis. The JGC receive updates on the performance of all WPP funds from Russell, voting and engagement updates from Robeco, stock lending reports from Northern Trust (custodian) and 'responsible investment and climate risk reports' from Hymans Robertson (as oversight advisor to the WPP). Further to this the Chair of the Clwyd Pension Fund Committee, attends every JGC in which these service providers present updates.

Principle 9

Engagement

“Signatories engage with issuers to maintain or enhance the value of assets”

9.1 The Fund’s officers engage with the WPP and its appointed manager, Russell, on a regular basis for updates on performance, manager selection, market information and engagement activities. The Fund’s officers report to the Pensions Committee quarterly covering the performance of the Fund and its underlying managers as well as all other aspects of the Fund including items such as responsible investment.

9.2 Clwyd Pension Fund believe in the benefit of engagement on a wide range of topics with companies and has therefore delegated all voting rights to the Wales Pension Partnership, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco place particular focus on six key areas when engaging with companies, these are identified in Principle 12.

9.3 Robeco’s Engagement Policy is updated annually, or more frequent if required. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers, focussing mainly on financially material ESG issues.

9.4 Robeco carry out three types of engagement, including corporate engagement, value engagement and enhanced engagement.

9.5 Value engagement focuses on long-term financially material ESG opportunities and risks, with the objective of creating value for investors through improved corporate governance and sustainable conduct. Enhanced engagement is covered in Principle 11, along with an example of voting escalation.

9.6 Robeco’s active ownership program covers several asset classes and geographies. In some circumstances, engagement may differ for equity and fixed income portfolios. For example, engagement for credit portfolios are likely to be focused on downside ESG risks whereas engagements for equity portfolio are more likely to focus on both ESG risks and opportunities and or shareholders rights. Robeco note that the enhanced engagement program does not differentiate between investment styles or asset classes.

9.7 Robeco prioritise engagement by focusing efforts on a select group of companies on the most material ESG factors and themes. The Active Ownership team at Robeco select four to five new engagement themes each year for the value engagement program. The themes focus on both financially material topics that address ESG issues in a variety of investable areas as well as adverse sustainability impacts. Each theme focuses on 10-15 companies and typically runs over a three-year period.

9.8 In selection of Robeco’s quarterly enhanced engagement cases, Robeco screen news flows for breaches of the United Nations Universal Declaration of Human Rights, the International Labor Organization’s (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Robeco screens portfolio holdings on:

- 1) validation of impact on stakeholders or the environment of the UN Global compact principles or OECD Guidelines
- 2) the severity of the breach
- 3) the company’s responsibility for and management of the issue.

For each enhanced engagement, SMART (Specific, Measurable, Attainable, Relevant, Time-based) engagement objectives are defined. Remediation is a key objective for enhanced engagement in all cases. The process for enhanced engagement theme selection is a formal part of Robeco’s exclusion policy.

9.9 Robeco provide WPP a confidential engagement report on a quarterly basis, which provides detailed activity at an individual company contact level, including the topic, engagement objectives and overall status of each engagement for that period. Whenever Robeco engages with a company, such as meeting with management, chair of boards, or writing letters to raise concern full information is documented in the confidential engagement report. Examples of engagement conducted by Robeco are provided on the next page. For confidentiality reasons, all examples have been anonymised at the request of the provider.

9.10 Examples of Robeco engagement:

Fund: WAITING ON DATA REQUESTS

Theme:

Company:

Activity:

Summary:

Outcome:

Fund:

Theme:

Section:

Activity:

Summary:

Outcome:

Fund:

WAITING ON DATA REQUESTS

Theme:

Sector:

Activity:

Summary:

Outcome:

9.11 Robeco's Engagement Policy is fully compliant with the requirements of the European Shareholder Rights Directive II (SRD II). Full details of Robeco's Engagement Policy can be found in the [Robeco's Stewardship Policy](#). WPP assets form part of this wider engagement.

9.12 Officers continually engage with the underlying fund managers, which the Fund invests in on a regular basis, via email, phone, online video or face to face meetings.

An example of such engagement over the period was to engagement with the underlying managers on exposure to several banks following news of potential collapse and adverse impacts on holdings. As a result, officers with the support of their investment consultant, Mercer, engaged with the underlying managers to collate total exposures to the banks in turmoil. This allowed the officers to determine the scale of impact and determine if action would be needed. The outcome was positive for the Fund as the exposure was minimal, and therefore no further action was required.

9.13 Robeco’s latest full stewardship report submission can be found here [Robeco’s Stewardship Policy](#). Robeco will report against the stewardship code on an annual basis.

9.14 As previously mentioned, we are a member of LAPFF. “LAPFF promotes high standards of corporate governance to protect long-term of local authority pension funds” (Source: LAPFF). LAPFF currently has over 80 members with assets exceeding £350bn, LAPFF engages directly with companies with the aim to affect change. Further information on the LAPFF can be found here: <https://lapfforum.org/about/>

9.15 The Fund has holdings with several managers outside of the WPP, who engage with companies on behalf of the Fund. Examples of the engagement carried out over the year to 31 March 2024 are outlined in the table below:

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	Nippon Steel Corp
Activity:	Engagement – decarbonisation strategy
Summary:	

Nippon Steel Corp is the largest steel maker in Japan and one of the largest globally. The company has an emissions reduction target of 30% by 2030 and its decarbonisation strategy is based on hydrogen injected blast furnaces (a technology branded COURSE 50) and electric arc furnaces (EAF). Notable concerns with COURSE 50 are that coal remains a key ingredient in the process and a portion of the associated emissions reduction is reliant on carbon capture and storage. Investor preference is for EAF powered by wholly renewable energies and this is a technology beginning to be rolled out by certain global peers.

An investor group comprised of Man Group, Storebrand, Corporate Action Japan and coordinated by Australian Center for Corporate Responsibility (“ACCR”) engaged with the company ahead of its annual general meeting. Multiple meetings were held with management discussing the ambition of existing targets, the strategy to achieving them, and whether current incentives for management via the remuneration policy were sufficiently aligned with these goals.

Outcome:

After months of engagement, the shareholder group welcomed the company’s announcement of enhanced climate commitments. The company constructively worked to improve the ambition in relation to building knowledge internally for its shift from a blast furnace to an electric arc furnace steelmaking process. Further, a company statement that a stable supply of green hydrogen and green power (renewable energy) is needed as a key input to achieve its target of carbon neutrality was also welcomed. In June, the Stewardship team hosted a follow-up in-person meeting with the company and the momentum of this engagement has continued into 2024.

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	Electronic Power Development (“J-Power”)
Activity:	Engagement – GHG emission reduction targets aligned with the Paris Agreement
Summary:	

While J-Power, Japan’s largest coal power operator and sixth largest energy utility, has publicly committed to transitioning towards carbon neutrality, evidence indicates a significant gap between its decarbonisation strategy and the goals of the Paris Agreement. The company lacks a defined phase-out schedule for domestic coal assets, an essential component for achieving a net zero pathway, which advanced economies like Japan should aim to reach by 2035, per the International Energy Agency (IEA). In 2022, a coalition arose between Man Group and the Australasian Centre for Corporate Responsibility (“ACCR”), HSBC Global Asset Management and Amundi, whom each individually held concerns in relation to J Power’s climate commitments. Subsequently, Man Group, as part of the newly formed investor group, co-filed the first institutional investor group-led climate shareholder proposals filed in Japan. The decision to file followed a series of meetings with the company and a letter exchange outlining the investor group’s expectations. During this process it became evident that the company was not prepared to meet these asks.

In 2023, for the second successive year, the coalition targeted the AGM by filing two shareholder resolutions to call on the Company to set and disclose credible short- and medium-term emissions reduction targets, aligned with the goals of the Paris Agreement; and disclose how remuneration policies incentivise progress against emission reduction targets. In light of the significant divergence between J-Power’s decarbonisation strategy and the goals set by the Paris Agreement, combined with the company’s lack of substantial progress

following the 2022 AGM, the investor group also signalled intent to vote against the re-election of the director principally responsible for the company's climate strategy, Representative Director (Executive Vice President) Hitoshi Kanno.

Outcome

The shareholder resolutions received 21% and 15% support, respectively, representing a strong call by J-Power shareholders to strengthen the firm's decarbonisation strategy and for continued engagement to monitor the company's response to these matters. The level of shareholder dissent for Hitoshi Kanno was higher than the average seen on other board members.

Principle 10

Engagement

“Signatories, where necessary, participate in collaborative engagement to influence issuers”

10.1 We participated in the development of the Wales Pension Partnership to pool the investments of the Eight Welsh LGPS funds. The Fund also proactively engaged with WPP in setting WPPs Responsible Investment (RI) policy and objectives. The Fund’s officers formally requested an active sustainable equity sub-fund to be considered as part of the pool. We have been actively engaging with all parties involved including WPP and Russell Investments, and lead the development of the sub-fund, with the Committee subsequently approving a 15% allocation to it. Although it was Clwyd who requested that this fund be created most/all local government pension funds within Wales will now be investing into the fund Therefore the outcome of the Clwyd Pension Fund’s early work 3 to 4 years ago there is now a sustainable equity fund for the whole of Wales which launched in June 2023 with over £1bn in AUM at the time of writing. We, along with other constituents of the WPP, are committed to collaborating and working together to further develop investment solutions that meet the climate objectives and commitments of all the Constituent Authorities.

10.2 As a member of the WPP we have delegated all voting rights to WPP, who utilise Robeco as their dedicated voting and engagement provider. We also delegate our voting rights to the underlying managers of the Tactical Asset Allocation Portfolio, with the Fund regularly receiving significant voting and engagement examples from all managers where applicable.

10.3 To ensure relevant engagement case selection, Robeco work collaboratively with other institutional investors in join initiatives such as Climate Action 100+.

Robeco actively engages with companies on behalf of the Fund to promote discussion around Net Zero, Decarbonisation, Capital Alignment, Climate Change Policy, Climate Change governance and TCFD disclosures.

Over the period in question, Robeco have been actively engaging with companies on such matters, examples of which are provided below. For confidentiality reasons, all examples have been anonymised at the request of the provider.

Fund: WAITING ON DATA REQUESTS

Theme:

Activity:

Summary:

Outcome:

Fund: WAITING ON DATA REQUESTS

Theme:

Activity:

Summary:

Outcome:

10.4 We apply the requirements of the Stewardship Code both through its arrangements with its asset managers and through membership of LAPFF. As a member, we have active engagement with our underlying investments. As previously mentioned, we have been a member since the early 'noughties'.

10.5 We are committed to reviewing its compliance against the latest Code, and as a member of the WPP expects both WPP and the underlying fund managers to comply with the Stewardship Code. We are pleased that WPP are a signatory of the latest Code.

10.6 We are an affiliate member of [Pensions for Purpose](#). "Pensions for purpose exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment" (Source: Pensions for Purpose, 2022). Officers also encouraged the WPP to become an affiliate of Pensions for Purpose, to which they were successful.

During the period, Debbie Fielder, former Deputy Head of Clwyd Pension Fund (retired as at date of writing) sits on the board for Pensions for Purpose as a Non-Executive Director (NED).

10.7 We are also a member of the Impact Investing Adopters Forum, which is run by Pensions for Purpose in partnership with the Impact Investing Institute to advance the

Principles. As an adopter we have committed to the Impact Investing Institute's Impact Investing Principles – and advancing the impact investing agenda. Detailed information on the principles can be found here: [Pensions with Impact](#).

10.8 The Fund's officers are actively engaged with and aim to influence for the better groups, boards and committees they sit on. Current officers of the Fund are members of the following:

- Scheme Advisory Board Responsible Investment Group
- LGPS Cross Pool Responsible Investment Group
- WPP RI-Sub Group
- UK Pension Schemes Responsible Investment Roundtable
- GIIN Institutional Asset Owner Roundtable Working Group
- NED Pensions for Purpose (Pro Bono)
- Pensions and Lifetime Savings Association (PLSA) Local Authority Committee.

10.9 Fund officers receive questions from members, local groups and employers about the Fund's approach to responsible investment, in particular the management of climate risk. During the period in question, Together Creating Communities (TCC) reached out to Fund officers to discuss our approach on such issues. Also, during the year the Head of the Clwyd Pension Fund engaged with Wrexham County Borough Council (WCBC) surrounding the Funds policy on disinvesting from fossil fuels. The members of the WCBC supported us in its carbon reduction approach. These discussions help reinforce the priority of responsible investment within our business plan and provides comfort that our approach has support from wider stakeholders.

10.10 We invite all employers and member representatives to an Annual Joint Consultative Meeting (AJCM), where we explain our investment approach (including responsible investment) and seeks views and opinions from the audience.

10.11 Over the 12 months to 31 March 2024, we have been invited to speak and participate in discussions covering items responsible investment. An example has been provided below.

- **Speaking Panel –**

WAITING ON DATA REQUESTS

Principle 11

Engagement

“Signatories, where necessary, escalate stewardship activities to influence issuers”

11.1 We expect our investment managers and Wales Pension Partnership (WPP) to take appropriate action acting on our behalf when engaging in stewardship activities. This includes ongoing monitoring of current investments and practises on issues which could present a material financial risk to the long-term performance of the Fund, including environmental, social and governance (ESG) factors.

11.2 We expect the highest level of monitoring from both investment managers and WPP to allow for any potential issues to be identified in a timely manner and resolved at an early stage.

Escalation Process

11.3 We expect the WPP to escalate any stewardship activities on its behalf with Robeco as noted in our response to Principle 12.

11.4 WPP regard escalation in relation to engagements as a key aspect of effective stewardship and have been working closely with Robeco to ensure that escalation is embedded into Robeco’s approach where necessary.

11.5 Robeco believe that communicating with companies in which WPPs clients invest is a more effective approach than excluding such companies from portfolios, as this allows Robeco to have an influence and make a positive impact. WPP and Robeco consider exclusions as a last resort approach, applicable only after engagement and escalation has been undertaken. WPP look to influence issuers whenever possible.

11.6 Where initial engagement with a company fails, Robeco implement ‘enhanced engagement’, which includes escalation of dialogue with companies in breach of behavioural norms in areas such as human rights, environmental, labour and corruption.

Enhanced engagement looks to address shortfalls against international codes of conduct in corporate governance, social responsibility, environment and transparency.

If enhanced engagement does not lead to the desired outcome, Robeco and/ or clients of Robeco can then take the decision to exclude the company from selection. Robeco’s enhanced engagement usually runs over a three-year period, during which Robeco engage with the companies.

Further information on Robeco’s engagement can be found in Robeco’s [Stewardship Policy](#) and [Stewardship Report](#).

11.7 Examples of voting escalation:

Fund WAITING ON DATA REQUESTS

Engagement Theme

Date

Objectives

Fund WAITING ON DATA REQUESTS

Engagement Theme

Date

Objectives

Fund WAITING ON DATA REQUESTS

Engagement Theme

Date

Objectives

Status

Robeco keep a track of unsuccessful engagements and discuss these with WPP at regular meetings.

The officers through the RI-sub group of the WPP have been working with the pool to create an escalation policy for failed engagements. This is now recognised within the WPP Stewardship Policy (approved by JGC July 2023). Officers are now working on the details of the escalation policy with the WPP, to be approved by the JGC in 2023/24. This policy will look to put in place a process to take action in areas where engagement has been unsuccessful or where there is high concern that a company is in breach of WPP's existing policies. This is a positive step in WPP's progress towards being an active steward and supporting good governance across all underlying constituent authorities within Wales.

DRAFT

Principle 12

Exercising rights and responsibilities

“Signatories actively exercise their rights and responsibilities”

12.1 We are a long-term investor that supports and promotes high standards of stewardship. It is our belief that effective stewardship can strengthen and protect the interests of both the Fund and its beneficiaries.

12.2 As part of the Government’s investment reform, we have participated in the development of the Wales Pension Partnership (“WPP”) to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with us, implementation responsibilities are the responsibility of WPP.

12.3 We proactively engaged with WPP in setting WPP’s RI policy and objectives and is confident that they will enable it to implement its own policies. We will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the us.

Delegation of voting rights to the WPP

12.4 As a member of the WPP we have delegated all voting rights to WPP; voting rights give shareholders the opportunity and responsibility to engage and promote the participation in the stewardship of companies. We expect both WPP and the underlying fund managers to comply with the Stewardship Code.

It is the belief of WPP that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities.

12.5 WPP has appointed Robeco as its Voting and Engagement provider who assist 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.

12.6 Before WPP appointed Robeco and implemented the WPP voting policy, individual managers within Sub-Funds were responsible for voting in line with their own house policy. The implementation of a single policy has ensured that all votes are cast in a consistent manner.

Voting Policy

12.7 WPP formed an RI-Sub Group in order to support the pool’s RI policies and provide ongoing scrutiny of its providers. The group has officer representation from all Constituent Authorities and meets two times a quarter.

12.8 Following their appointment, WPP worked with Robeco to agree an appropriate voting policy. Rather than developing a tailored portfolio, WPP reviewed Robeco’s own policy and took the decision to adopt this as an initial template. WPP’s RI Sub-Group took

into consideration various approaches in the development of its voting policy, including a “bottom-up” policy. However, the group decided that adopting a house policy as an initial standard would enable the pool to implement a single standard at a faster pace.

WPP will review Robeco’s [Voting Policy](#) annually to ensure that it remains appropriate.

Voting Areas

12.9 WPP recognised the challenge in focusing on all voting activities and therefore in the development of its voting policy choose to place focus on six key areas. These six areas were selected by the RI-Sub Group and are subject to detailed scrutiny. The areas are as follows:

1. Management of Climate Change
2. Climate Risk Disclosures
3. Improving shareholder governance
4. Board diversity
5. Retention and Development of Human Capital
6. Executive remuneration: focusing on long-term outcomes

WPP and Robeco have discussed the six key areas and agreed these will be a key element of the ongoing discussions and scrutiny exercised. Robeco will be proactive in voting on shareholder proposals with a particular focus on the six chosen areas as stated.

LAPFF alerts and WPP instruction to Robeco

12.10 As a member of the LAPFF, LAPFF provide alerts when there is a campaign to vote in a certain way. WPP have instructed Robeco to give due regard to all LAPFF alerts, and where Robeco considers appropriate will vote in line with the LAPFF alert. If in the instance Robeco’s view differs from LAPFF, WPP will engage with Robeco and request reasons for each event.

Monitoring voting effectiveness

12.11 Before WPP implemented its own voting policy, votes were cast in line with the underlying individual managers voting policies. Due to the contrasting nature of each of the underlying manager’s voting policies and the focus on implementing a single voting policy, WPP took the decision to not exercise independent scrutiny of voting outcomes ahead of the single policy implementation.

WPP receive quarterly voting reports from Robeco, which cover key statistics and information on voting over the period. Robeco has only been voting in line with the agreed voting policy since 1 January 2021.

Engagement and Voting

12.12 We require our managers to report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2023/24 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Russell – Sustainable Active Equity¹	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tactical Asset Allocation						
BlackRock - US Opportunities	109	1,523	1,492	31	6	0
LGIM - Future World North America Equity Index (GBP Hedged)	560	7,784	5,070	2,697	3	14
LGIM - Future World Japanese Equity Index	323	3,967	3,532	435	0	0

Source: Investment Managers.

¹ At the time of writing the WPP Sustainable Active Equity Fund voting information was not available

Note: Insight Maturing Buy and Maintain Bond Funds 2021-2025, Insight Short Dated Buy and Maintain, LGIM Sterling Liquidity Fund, LGIM Over 5 Year Index Linked Gilts, LGIM Over 15 Year Gilts, LGIM Emerging Market Passive Local Currency Government Bond and NB US Put Writing strategy do not have voting data. Figures may not sum due to rounding.

Voting Examples

12.13 Robeco provide the WPP with a full breakdown of all votes that are cast over the period, this description, meeting type, management recommendation, proponent and Robeco's vote. In doing so this enables WPP to monitor the activity Robeco is undertaking on behalf of the WPP and compare against the voting principles that are set within the voting policy.

Further Information

12.14 Further information on WPP's approach to exercising rights and responsibilities can be found in the latest [Wales Pension Partnership Stewardship Report](#) .

Further information on the WPP and ongoing updates on the WPPs progress can also be found on the WPP [website](#) and [LinkedIn page](#).

Non-Pooled Assets - Voting Examples

12.15 We also hold investments outside the pool and therefore has voting rights from holdings within the Tactical Asset Allocation. Examples of votes cast within the Tactical Asset Allocation by our underlying managers over the 12-month period to 31 March 2024 are shown below:

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	NVIDIA Corporation
Date of meeting:	22/06/2023
Resolution:	Elect Director Stephen C. Neal
Voted:	Against
Outcome:	The resolution was passed

A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	Amazon.com, Inc.
Date of meeting:	24/05/2023
Resolution:	Report on Median and Adjusted Gender/Racial Pay Gaps
Voted:	For
Outcome:	The resolution did not pass

A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	JP Morgan Chase & Co.
Date of meeting:	16/05/2023
Resolution:	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets

Voted: For
Outcome: The resolution did not pass

LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

TAA Sub-Fund LGIM Future World Japanese Equity Index
Company: Toyota Motor Group
Date of meeting: 14/06/2023
Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
Voted: For
Outcome: The resolution did not pass

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.

TAA Sub-Fund LGIM Future World Japanese Equity Index
Company: Mitsubishi UFJ Financial Group, Inc.
Date of meeting: 29/06/2023

Resolution:	Amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement
Voted:	For
Outcome:	Results not disclosed

LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and LGIM have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believe that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.

12.16 Leadership in stewardship across various asset classes

We recognise that the approach to stewardship is typically more developed for listed equity managers. They are expected to fully exercise their voting and engagement responsibilities. However, we also expect manager across other asset classes to exercise their stewardship rights and responsibilities to the fullest extent possible. Below briefly explains some of the key characteristics we expect to see from each of the investment managers looking to demonstrate strong stewardship across various asset classes.

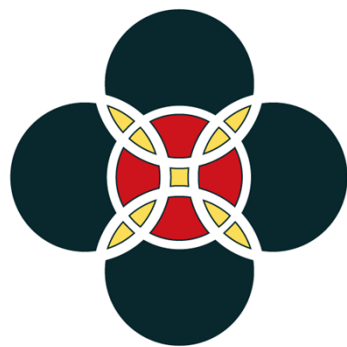
- **Fixed Income** – engagement with issuers can enhance credit worthiness, such as engaging with companies on issues regarding the environment and human rights.
- **Private Equity** – funds typically have significant stakes in companies, meaning that they have significant influence and/or full control over management and decision making.
- **Private Debt** – there is typically less control for investors compared to private equity, but one way of creating influence is to shape the term of a loan to influence the issuer. Recent initiatives have been inclusion of ratchet mechanisms to the borrowing rate linked to key ESG objectives for some loans.
- **Real Estate and Infrastructure** - assets can be enhanced and improved through a ‘hands on’ approach by enhancing the sustainability characteristics of the assets. Strong ownership positions can also help in terms of active engagement with management (including hiring strong teams) and collaborating with key stakeholders.

Glossary

Item	Description
Actuarial Valuation	The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
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.
Advisory Panel (AP)	A group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Head of the Clwyd Pension Fund, Fund Consultant, Fund Actuary and Fund Independent Advisor.
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.
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.
Chartered Institute of Public Finance and Accountancy (CIPFA)	UK based accountancy membership and standard setting body.
Department for Levelling Up, Housing & Communities (DLUHC)	Supports communities across the UK to thrive, making them great places to live and work.
Funding Strategy Statement (FSS)	The main document that outlines how we will manage employers' contributions to the Fund.
Funding & Risk Management Group (FRMG)	A subgroup of Pension Fund officers and advisors set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Head of the Clwyd Pension Fund, Fund Actuary, Strategic Risk advisor and Investment Advisor.

Item	Description
Financial Reporting Council (FRC)	Regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
Investment Strategy Statement (ISS)	The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
Local Authority Pension Form Forum (LAPFF)	Is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners.
Local Government Pension Scheme (LGPS)	The national scheme, which Clwyd Pension Fund is a part of.
Markets in financial instruments directive II (MiFID II)	A European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims to standardise practises across the EU.
Pensions and Lifetime Savings Association (PLSA)	A trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.
Pensions for Purpose	Exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment.
Private Market Investments	Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.
Scheme 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.

Item	Description
Stewardship	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.
Sustainable Finance Disclosure Regulation (SFDR)	Imposes mandatory ESG disclosure obligations for asset managers and other financial market participants (FMP). SFDR aims to bring a level playing field for FMP and financial advisors on transparency in relation to sustainability risks the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products.
Society of Local Authority Chief Executives (SOLACE)	A leading members' network for local authority government and public sector professionals through the UK.
Tactical Asset Allocation Group (TAAG)	A group consisting of The Clwyd Pension Fund Manager and investment consultant, Mercer, the Fund Consultant.
Task Force on Climate Related Financial Disclosures (TCFD)	TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.
Taskforce on Nature Related Financial Disclosures (TNFD)	Builds upon TCFD but acting on behalf of nature. It is a nature-related framework to drive better understanding and reporting of nature-related risks and opportunities.
UK Stewardship Code 2020	Set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.
UN Principles for Responsible Investment (PRI)	International organisation that works to promote the incorporation of ESG factors into all decision-making processes, seeking to build a more sustainable financial system.
Wales Pension Partnership (WPP)	A collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.



Cronfa Bensiynau
CLWYD
Pension Fund

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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.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 11 September 2024
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the Fund's governance policies is provided for discussion at each Committee. This report includes developments since the previous report provided at the June 2024 Committee, including:

- progress against the governance section of the Fund's Business Plan
- governance-related developments at national and Fund level, including:
 - Government appointments following the General Election
 - HMT's Pension Review announcement which includes an area relating to the LGPS
- a recommendation to approve the updated Conflicts of Interest Policy and a recommendation to approve the updated decision-making matrix in the Policy on the Overpayment and Underpayment of Pension Scheme Benefits
- updates to the governance risks on the Fund's risk register and the latest changes to our breaches of the law register
- forthcoming training and events, some of which are essential for Members.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee note the Government's Pension Review and agree the process expected to respond to any consultations that may be required out of the Committee cycle
3	That the Committee approve the updated Conflicts of Interest policy
4	That the Committee approve the updated decision-making matrix in the Policy on the Overpayment and Underpayment of Pension Scheme Benefits.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 660 304">Business Plan Update</p> <p data-bbox="320 344 1366 600">The business plan update in Appendix 1 shows the latest progress for the governance tasks in the 2024/25 Business Plan. Progress is being made, but some items due in Q2 are behind schedule or have been deferred to Q3. This is largely due to a material amount of officers' time being taken up with the audit of the report and accounts due to a change in timing of the audit, compounded by the retirement of the Deputy Head of the Fund and the summer holiday period. The key points to note are as follows:</p> <ul data-bbox="368 640 1382 2078" style="list-style-type: none"><li data-bbox="368 640 1382 824">• <i>G1 – Succession planning:</i> We are working with the Council to implement the new Management Structure approved by Committee in June with progress expected in time for the November Committee, subject to timescales for the Council HR team to review the job descriptions.<li data-bbox="368 824 1382 936">• <i>G2 – Governance arrangements:</i> Work is ongoing regarding the remit and potential consolidation of the sub-groups that support the Fund's Advisory Panel.<li data-bbox="368 936 1382 1160">• <i>G3 – Review against TPR new General Code:</i> Following the detailed review of the Fund's processes and practices against the new Code, an action plan has been developed for officers to work through. The Pension Board will oversee the progress being made with this at each of their meetings, and an update will be brought to the Committee annually.<li data-bbox="368 1160 1382 1451">• <i>G4 – Implement regulatory and guidance changes:</i> Following the announcement of a Pensions Review (see paragraph 1.02) it is not clear when we might expect the changes to regulations and guidance that were expected (i.e. Good Governance and pooling). For business planning purposes, it has been assumed that these consultations will not be issued prior to the end of quarter 3. The business plan has been updated accordingly.<li data-bbox="368 1451 1382 1787">• <i>G5 – Review of governance related policies:</i> The Conflicts of Interest policy has been reviewed and is presented for approval; further detail is provided later in this update. The Knowledge and Skills Policy was also due for review, but this has been deferred so that any changes flowing from the Good Governance review or other relevant updates to legislation/TPR guidance can be taken into account. We would now expect the review of this policy to be in Q4 at the earliest, and the business plan has been updated accordingly.<li data-bbox="368 1787 1382 1933">• <i>G6 – Review/tender key supplier contracts and Procurement Act changes</i> The tender for Investment consultancy services is now complete and an update is provided later in this paper.<li data-bbox="368 1933 1382 2078">• <i>G7 – Appointments of Local Pension Board and Pension Fund Committee Members</i> The Trade Union representative has stepped down from the Board and the process for appointing a replacement is underway. The

	<p>Unions set a deadline for nominations of 10 September so it is hoped that the Board will be back to full complement by the time of its October meeting.</p> <ul style="list-style-type: none"> • <i>G8 – WPP Governance arrangements</i> Feedback following the Special Committee meeting in April has been sent to WPP and, at the time of drafting the report, a response has not yet been received. An update will be provided at Committee. Due to resourcing constraints, and the change in timescale for the audit of the annual report and accounts, it has not been possible to arrange a Committee discussion on pooling and WPP’s governance arrangements during Q2. This will now be arranged for later in the year and the business plan has been updated accordingly.
1.02	<p>Current Developments and News</p> <p><i>New Government Appointments and Announcements</i></p> <p>Following the General Election on 4 July, we have a new LGPS Minister, Jim McMahon, as well as a new Chancellor, Rachel Reeves, and a new Pensions Minister, Emma Reynolds, whose brief extends across the Department for Work and Pensions and HMT.</p> <p>The Department for Levelling Up, Housing and Communities, which is the Department responsible for overseeing the LGPS in England and Wales, has been renamed the Ministry for Housing, Communities and Local Government (MHCLG), its previous name.</p> <p>On 9 July 2024 the Treasury announced plans to establish a National Wealth Fund to align the UK Infrastructure Bank and the British Business Bank and attract institutional investment to the UK’s “<i>green and growth industries</i>”. The taskforce includes the CIO of one of the LGPS asset pools, Brunel Pension Partnership, so it seems a logical assumption that LGPS funds’ assets are part of the private investment the Government wishes to mobilise.</p> <p>On 20 July 2024 the Chancellor announced a Pensions Review and on 16 August the Government published the terms of reference for phase one of its Pensions Review. Phase one of the review will focus on investment and report initial findings later this year. The review is being led by Emma Reynolds but the announcement said she will work closely with Jim McMahon to “<i>look at how tackling fragmentation and inefficiency can unlock the investment potential of the £360 billion Local Government Pension Scheme in England and Wales,.. including through further consolidation and improved governance</i>”. Its remit also includes “<i>encouraging further pension investment into UK assets to boost growth across the country</i>” which is expected to lead to encouragement to invest more in private markets and UK infrastructure projects. The Government has said it will “<i>consult widely as it develops its analysis and policy options</i>” and that “<i>co-creation with industry and the LGPS will be an essential part of the review process</i>”. The second phase of the review will</p>

	<p>start later this year and, alongside investment, will consider further steps to improve pension outcomes, including assessing pensions adequacy.</p> <p>On 7 August 2024 the Chancellor met with leaders of some of the largest Canadian Pension Funds (known as the Maple Eight) and in a press release in advance of the meeting was quoted as saying “<i>I want British schemes to learn lessons from the Canadian model and fire up the U.K. economy, which would deliver better returns for savers and unlock billions of pounds of investment</i>”.</p> <p>We therefore expect that there will be future changes, whether via guidance or regulation or both, on how we invest and potentially how the LGPS in England and Wales is structured. Fund officers will work with WPP and the Committee as required to ensure the best interests of Clwyd Pension Fund’s stakeholders and those across Wales are represented when engaging with Government on its Pensions Review and wider initiatives, and in responding to consultations.</p> <p>A briefing session has been arranged for Committee and Board members on the morning of 11 September 2024. Further updates will be provided at future Committee meetings but the Committee is asked to provide views on the process to be carried out should there be a need to respond to any consultations out of the Committee cycle.</p>
1.03	<p><i>Pension Board meetings</i></p> <p>Following the update at the last Committee meeting, the draft minutes from the 16 May 2024 board meeting are attached in Appendix 2.</p> <p>Key items discussed, in addition to standard items included:</p> <ul style="list-style-type: none"> • Changes to the Committee and the proposed changes to the organisational structure of the CPF Management Team. • Future accommodation for the CPF team • The Fund’s Business Continuity Plan and Cyber Incident Response Plan. • Engagement with WPP following the Special Pension Fund Committee meeting in April. • Decision making relating to local investments. • Progress on checking the Fund’s compliance against the new TPR General Code of Practice. • Annual report guidance and external audit. <p>The next Board meeting is on 3 October 2024.</p>
1.04	<p><i>LGPS Scheme Advisory Board (SAB) updates relating to governance matters</i></p> <p><i>SAB Meetings</i></p> <p>The LGPS SAB met on 22 July 2024. Key items discussed at the meeting included verbal updates on the King’s speech, the impact of the general election and the consideration of non-financial factors in investment decisions. Updates were also received from the Local Government Pension Committee and the SAB committees (the Compliance and</p>

	<p>Reporting, Cost Management and Investment Committees). The papers can be found here.</p> <p>The date of the next SAB meeting has not yet been published.</p> <p><i>Scheme Annual Report</i> On 12 June SAB released its eleventh Scheme Annual Report, which consolidates information from the 86 LGPS fund annual reports as of 31 March 2023 for the 2022/23 reporting year. This report serves as a comprehensive source of information on the status of the LGPS for members, employers, and other stakeholders. The report can be found here.</p> <p><i>LG Minister's letter</i> In response to the Local Government Minister's letter to all LGPS funds in England dated 15 May 2024, on 25 June the Scheme Advisory Board (SAB) encouraged funds to reply to the DLUHC pensions team to aid in briefing new ministers post-election. The SAB issued a statement and provided suggested text for funds to include in their responses here. Although the letter was not sent to Welsh LGPS funds, the Head of Clwyd Pension Fund has an opportunity to participate in discussions as part of a roundtable with the then minister (Simon Hoare) on 23 May 2024.</p> <p><i>New Local government minister</i> On 18 July, Cllr Roger Phillips, the Board Chair, welcomed the new Local Government Minister, Jim McMahon MP, with a letter outlining the Board's view of key priorities and requesting an early meeting. The letter also seeks urgent clarity on the status of the 1 April 2025 deadline for pooling assets set by the previous government.</p>
1.05	<p><i>Change in Independent Adviser</i></p> <p>Alison Murray, the Independent Adviser, is leaving Aon, and therefore Karen McWilliam will resume this role for the Fund.</p>
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Conflicts of Interest Policy</i></p> <p>The Conflicts of Interest Policy was last reviewed in September 2021 so has reached the three-year review point as set out in the Policy.</p> <p>The Policy (attached as Appendix 3) has been refreshed to reflect the current environment, including the addition of updated example conflicts and updating the requirements on key advisers so that they are treated in the same way as Committee members, Board members and senior officers of the Fund. The areas with the main changes relating to these points are highlighted in yellow. The language has also been made less formal to make it an easier read in line with the Fund's Communication Strategy.</p> <p>It is recommended that the Committee approve the revised Conflicts of Interest Policy.</p>

1.07

Policy on the Overpayment and Underpayment of Pension Scheme Benefits

The Fund's Policy on the Overpayment and Underpayment of Pension Scheme Benefits was last reviewed in September 2021 so has reached the three-year review point as set out in the Policy.

Officers are reviewing the Policy to ensure it is updated to:

- reflect recent experience
- refer to the Fund's Anti-Fraud and Corruption policy (which was developed since the current Policy on the Overpayment and Underpayment of Pension Scheme Benefits was last reviewed and includes some measures which also seek to prevent overpayments)
- make it more readable in line with the Fund's Communication Strategy.

Legal advice has also been sought from the Fund's legal advisers including to ensure that the Policy remains appropriate given a recent Pensions Ombudsman decision.

As set out in the Scheme of Delegation, approving the Policy, other than in relation to any strategic elements, is delegated to the Head of Clwyd Pension Fund and either the Corporate Finance Manager or Corporate Manager People and Organisational Development (having regard to the advice of the rest of the Pension Advisory Panel).

In relation to the strategic elements which are the responsibility of the Committee, it is not expected that there will be any changes to the principles of how the Fund approaches over or under payments of benefits but the decision-making responsibilities in relation to writing-off any overpayments has been reviewed in light of:

- the retirement of the Deputy Head of the Fund, with references being replaced by the Head of Fund where highlighted
- the removal of the Pensions Administration Manager role, with all references being replaced by the new role of Pensions Operations Manager* and
- the removal of the Pension Fund Accountant role, with all references being replaced by the new role of Pensions Finance Manager (Funding and Accounting)*.

*Until appointments to these new positions are made, it is proposed that decisions will continue to be made by the Pensions Administration Manager and Pension Fund Accountant in line with the existing Policy.

The Committee is recommended to approve the revised decision-making table from the Policy as set out below.

Cause of overpayment	Total value of over-payment	Agree recommendation to write off overpayment	Approve write off of overpayment
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	Up to £100	Automatic write off with no specific recommendation required	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £101 and £250	Team Leader with (Pensions Administration Manager) Pension Operations Manager	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £251 and £1,000	(Pensions Administration Manager) Pension Operations Manager with (Pension Fund Accountant) Pensions Finance Manager (Funding and Accounting)	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £1,001 and £5,000	(Pensions Administration Manager) Pension Operations Manager with (Deputy) Head of Clwyd Pension Fund	Chief Finance Officer
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount	Between £5,001 and £25,000	(Pensions Administration Manager) Pension Operations Manager with (Deputy) Head of Clwyd Pension Fund	Chief Finance Officer in consultation with the Clwyd Pension Fund Committee
Any overpayment of lump sum, regular pension benefits or other benefit settlement amount.	More than £25,000	(Pensions Administration Manager) Pension Operations Manager, with (Deputy) Head of Clwyd Pension Fund and Chief Finance Officer	Clwyd Pension Fund Committee

Once the review of the full policy is concluded by officers, the final policy will be circulated to the Committee for information.

1.08

Knowledge and Skills Policy and Training Plan

Policy requirements

The Fund's Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to:

- attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis
- attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and
- attend at least one day each year of general awareness training or events.

The Fund's training plan forms part of the Fund's business plan for 2024/25 which was approved by the Committee at their March 2024 meeting.

Appendix 4 sets out the Fund's training plan and training undertaken since the last Committee meeting.

Training undertaken

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2024/25 is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Senior officers attending (Proportion of total)
Essential Training Sessions – Target attendance is 75%				
Impact Investing	Jun 24	7 (78%)	2 (50%)	4 (80%)
Total		(78%)	(50%)	(80%)

Non-essential, general awareness training attended by Committee members since the last update includes the PLSA Local Authority Conference. Committee and Board members also attended the WPP Quarter 1 training on product knowledge and cyber security on 18 June.

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. New members of the Board and Committee will be expected to attend Induction Training. In addition, if any Committee or Board members wish to attend any of the following optional events that count as general awareness training, please contact the Governance Administration Assistant:

- LGA LGPS Governance Fundamentals training series – running In York, London and Online through October to December

	<ul style="list-style-type: none"> • WPP training – WPP policies - 18 October 2024 (2pm to 4.30pm) • WPP training – Responsible investment - 28 November 2024 (9.30am to 12 noon). <p>The following are the next essential training sessions, which should be attended by all Committee and Board members (both will be run in hybrid format). It is proposed to hold these sessions after the Committee meetings and so members should make themselves available for the full day. Lunch will be provided for those attending in person.</p> <ul style="list-style-type: none"> • CPF Funding strategy training – 27 November 2024 (pm) • Taskforce on Nature-related Financial Disclosures (TNFD) and how the CPF intends to implement these – 19 February 2025 (pm) • Training topic to be confirmed – 19 March 2025 (pm).
1.09	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund’s procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 5 details the current breaches that have been identified. There were no new breaches over the period since the last update. In addition, the previous ongoing case relating to late remittance advice and late payment of contributions involving a community council (with 1 member), has been resolved.</p>
1.10	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. Since the last update report, the only governance matter where the delegated powers have been used relates to the appointment of the Investment Consultant as part of a procurement exercise. Mercer was (re)appointed as a result of this procurement. Appendix 6 provides the information relating to this decision.</p>
1.11	<p>Calendar of Future Events</p> <p>Appendix 7 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings and training dates.</p> <p>Members should note that the Fund’s Annual Employer and Scheme Member Representatives Meeting will take place on 26th November. The meeting will be hybrid and all Committee and Board members are invited to attend.</p> <p>It is proposed to also have the WPP Governance Workshop on the same day which all Committee and Board members are strongly encouraged to attend.</p> <p>The next Committee dates, confirmed at the May Annual General Meeting, are as follows (all morning meetings starting at 9:30am):</p> <p>27 November 2024</p>

	19 February 2025 19 March 2025 18 June 2025
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2.00	RESOURCE IMPLICATIONS
2.01	No material resource or budgetary implications are expected from the items in this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None

4.00	RISK MANAGEMENT
4.01	Appendix 8 provides the risk dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks and the risk register key. The risk register has been updated since it was last presented to the Committee in June.
4.02	The main changes to the governance risks are as follows: <ul style="list-style-type: none"> • Various actions have been updated or added including new actions in relation to carrying out a knowledge and skills gap analysis with the new management team, and ensuring all staff are clear on their roles relating to business continuity and cyber security during the transition to and once the new management team are appointed. • The likelihood associated with risk 4 (decisions not implemented – resourcing issues) has been increased from ‘unlikely’ to ‘possible’. This is mainly due to the departure of the Deputy Head of Clwyd Fund and the transition to the new management structure, including the need to ensure those appointed to the new management team have or attain the appropriate knowledge and skills as mentioned above.
4.03	Risk numbers 3 (WPP delegated decision-making is inappropriate), 9 (unable to adequately/appropriately implement governance changes – external) and 11 (no or restricted access to our systems) also remain higher than target, albeit marginally. It is hoped that the actions which are planned in relation to risks 3 and 11 will help bring these back to target by the end of the year. Risk 9 has a longer timeframe (estimated March 2026) mainly due to uncertainty about Government changes and other external factors. There is likely to be some inter-dependency in returning risks 3 and 9 to target given the terms of reference of Phase one of the Government’s Pensions Review.

5.00	APPENDICES
5.01	Appendix 1 - Business plan update for governance tasks

<p>Appendix 2 – Pension board meeting minutes from 16th May</p> <p>Appendix 3 - Conflicts of interest policy</p> <p>Appendix 4 - Training plan</p> <p>Appendix 5 - Breaches log</p> <p>Appendix 6 – Investment Consultant procurement delegation</p> <p>Appendix 7 - Calendar of future events</p> <p>Appendix 8 - Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee - 2024/25 Business Plan (March 2024 and June 2024)</p> <p>Full hyperlinks for referred to information:</p> <ul style="list-style-type: none"> • 1.02 – New Government appointments and announcements https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings https://www.gov.uk/government/publications/pensions-review-terms-of-reference-phase-one/terms-of-reference https://www.gov.uk/government/news/chancellor-reeves-pension-funds-can-fire-up-the-uk-economy https://www.gov.uk/government/news/boost-for-new-national-wealth-fund-to-unlock-private-investment • 1.04 – SAB meeting papers https://lgpsboard.org/index.php/about-the-board/prev-meetings • 1.04 – Ministers letter https://lgpsboard.org/images/Other/25062024_SABstatement_EfficienciesinLGletter.pdf • 1.04 – Scheme Annual Report https://lgpsboard.org/index.php/foreword-2023 <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund</p> <p>Telephone: 01352 702264</p> <p>E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(g) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation. (Previously DLUHC – Department for Levelling Up Housing and Communities)</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p> <p>(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.</p> <p>(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.</p>

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| <p>(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.</p> <p>(l) HMT – His Majesty's Treasury – HMT has a responsibility to approve all LGPS legislation before it is made</p> |
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Business Plan 2024/25 to 2026/27 – Q2 Update

Governance

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
*	Original item where the period has been moved or task deleted since original business plan

Governance Tasks

Ref	Key Action: Task	2024/25 Period				Later Years	
		Q1	Q2	Q3	Q4	2025/ 2026	2026/ 2027
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	
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	x
G8	WPP Governance arrangements		*	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 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	2024/2025 Q1 to Q2
Consider impact on the team beyond senior management	2024/2025 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	2024/2025 Q1 to Q2
Develop and implement proposed changes to governance arrangements	2024/2025 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 2024/2025.

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	2024/2025 Q1 to Q2
Implement the action plan following the review	2024/2025 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 by the Department for Levelling Up Housing and Communities¹ (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 2024/2025. 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	2024/2025 Q1 to Q3 (estimated)
Review existing arrangements against new regulations and/or guidance	2024/2025 Q2 to Q4 and 2025/2026 (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.

¹ DHLUC is the Government Department responsible for the LGPS and issuing LGPS Regulations

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 2024/2025 are the Business Continuity Policy (carried over from 2023/2024), 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 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	2024/2025 Q1
Conflicts of Interest Policy	September 2021	September 2024	2024/2025 Q2
Knowledge and Skills Policy	September 2021	September 2024 deferred due to delays with Good Governance	2024/2025 Q2 deferred to Q4 (estimated)
Procedure for Recording and Reporting Breaches of the Law	March 2022	March 2025	2024/2025 Q4
Cyber Strategy	March 2022	March 2025	2024/2025 Q4
Governance Policy and Compliance Statement	November 2022	November 2025	2025/2026
Anti-Fraud and Corruption Strategy	March 2023	March 2026	2025/2026
Risk Management Policy	March 2024	March 2027	2026/2027

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 2024/2025 (for example, 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	2024/2025 Q1 to Q2
Conduct tender for independent adviser	2024/2025 Q3 to Q4
Consider extension of actuarial and benefits consultancy contract	2024/2025 Q4
Conduct tender for actuarial and benefits consultancy services (assuming extension has been applied)	2025/2026
Consider and implement necessary changes due to Procurement Act 2023	2024/2025 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.

G8: WPP Governance Arrangements

What is it?

The Fund is a “Constituent Authority” within WPP, alongside the other seven LGPS funds in Wales. WPP can be considered a collaboration across the Welsh LGPS funds and is governed, amongst other things, by an Inter-Authority Agreement (IAA). The IAA establishes the Joint Governance Committee and Officer Working Group in which Fund representatives and representatives from other LGPS funds in Wales participate. The IAA also sets out the decision-making structure and the matters which are reserved to the Constituent Authorities.

The IAA was signed in 2017 and since then there have been significant changes in the overall landscape in which LGPS funds operate, including governance-related changes as well as changes affecting the investment environment. We also now have experience of addressing a number of matters reserved to the Constituent Authorities. With that in mind, we plan to consider whether WPP’s governance arrangements could be enhanced and to liaise with WPP to discuss any suggestions we may have so that these can be considered as part of WPP’s 2025/2026 business planning.

Timescales and Stages

CPF discussion(s) on WPP governance arrangements	2024/2025 Q2
Liaise with WPP (in advance of 2025/2026 business planning)	2024/2025 Q3 to Q4

Resource and Budget Implications

To be led by the Head of Clwyd Pension Fund, with input from the Advisory Panel. It is hoped that the expected costs can be met from existing budgets.

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

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held at County Hall on Wednesday 16 May at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Jackson, Mr Richard Weigh

Apologies: None

IN ATTENDANCE

Mr Phil Latham* (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Debbie Fielder* (Deputy Head of Clwyd Pension Fund)

Mrs Karen Williams (Pension Administration Manager)

Ms Morgan Nancarrow (Governance Administration Assistant)

Mr Chris Emmerson (Aon, Independent Advisers)

*Attended virtually, with all other attendees in person at County Hall.

Actions

1. APOLOGIES/ WELCOME

There were no apologies received prior to the meeting.

The Chair announced two matters arising for urgent discussion:

- The changes to the Pension Fund Committee membership agreed at the recent Annual General Meeting of Flintshire County Council and its implications for the Fund.
- Developments relating to the office accommodation used by the Fund.

The order of items on the agenda for this meeting was changed to accommodate these matters.

2. DECLARATIONS OF INTEREST

Mrs K Williams and Ms Nancarrow declared personal interest in the organisational structure so left the meeting during the discussion at item 6.

Mr Weigh noted his role as Chief Finance Officer for Wrexham County Borough Council during item 13.

3. MINUTES

The Chair asked for comments on the minutes of the previous meeting, of which there were none, and there were no matters arising. The draft minutes of the meeting held on the 6 December 2023 were confirmed as a correct record.

4. PENSION BOARD MEMBERSHIP

The Chair announced that Mr Pumford has stepped down from his role on the Board. The Board thanked Mr Pumford for his time and contributions to the Fund over the years and wished him the best for the future.

Mr Latham explained that the joint trade unions will be contacted to nominate a new representative.

5. ACTION TRACKER

The contents of the Action Tracker were discussed. The Chair highlighted that the upcoming WPP cyber security training session will be delivered by Aon, and encouraged Board members to ask questions around how WPP ensures the security of data and assets.

6. PROPOSED CHANGES TO ORGANISATIONAL STRUCTURE

Mrs K Williams and Ms Nancarrow left the meeting for the duration of this item, and minutes were taken by Mr Emmerson.

Mr Latham had provided the Board with a background document and explained he was looking for the Board's support for the proposed changes which in turn would be taken to the CPF Committee for approval. He explained that the proposed structure is to assist in ensuring that key officers have the necessary skills and can also be retained to ensuring the Fund's ongoing business plan is delivered. The proposal suggests not replacing the existing Deputy Head of Fund role as it would be extremely unlikely they would be able to recruit with the appropriate skills given the level of remuneration. Instead it is focussed on a wider

management team where those officers would have greater responsibilities than in their current roles.

Mr Latham also highlighted the expanding governance requirements, both in relation to the amount of work involved and the level of knowledge required to deliver it. As such the proposals include a new Governance Officer position to support the proposed Pensions Operations Manager and Governance Administration Assistant.

Following a detailed discussion, the Board welcomed the review and agreed to support the new structure including the progression opportunities it provided. They highlighted their wish for the Committee to be made aware of their concerns relating to recruitment and retention in relation to all Pension Fund Team members due to pay levels which are driven by FCC's pay policy, and looking for assurance around this point.

ACTION:

The Chair agreed to feed back to the Committee the Board's support for the proposed new structure, whilst also highlighting the concern about recruitment and retention given the team's current pay levels.

ACTION
Chair of
Pension Board

7. FLINTSHIRE COUNTY COUNCIL AGM

The Chair explained the outcomes of Flintshire County Council's (FCC's) Annual General Meeting (AGM) which took place on 14th May. Cllr Dan Rose, who had not previously been on the Committee, was elected as Chair of CPF Committee, replacing Cllr Ted Palmer. The Chair highlighted that part of the Board's legal role is to assist in ensuring the effective and efficient governance of the Fund.

Mr Latham explained that the CPF Committee Chair's allowance is paid for by the Fund rather than by FCC, but the Council's Constitution does not have a different appointment process to reflect this and that the Chair is agreed annually by the Council in the same way as other FCC committees.

Mr Emmerson noted that the new Chair of PFC will also become a member of the Wales Pension Partnership Joint Governance Committee, meaning there are requirements beyond what is typically expected of a committee chairperson.

The Board acknowledged that the Council is at liberty to make a political appointment to a Committee, and the change of chair is a legitimate decision of the Council. However, the Board felt that a

mid-term change in Chair could impact the effective and efficient running of the Fund and is not ideal.

Mr Jackson noted the need for the Chair of the Committee to have technical knowledge and understanding of LGPS as well experience chairing Committee meetings. Mrs E Williams noted the appointment of a new Chair without experience on the CPF Committee suggests that the Fund officers and advisers will need to assist the Chair in developing the required knowledge and skills.

ACTION:

The Board agreed that the Chair will arrange a discussion with the Chief Executive of FCC to discuss the Council's Constitution relating to appointments to the CPF Committee.

ACTION
Chair of
Pension Board

8. ACCOMMODATION

Mrs K Williams explained FCC's intention to close County Hall in the near future, so CPF will need to move location. It is unclear what Council accommodation will be available to meet the Fund's requirements or the precise timescale.

The Chair commented that this is a significant operational risk, especially given the potentially short timescale and that sourcing accommodation would come at additional cost to the Fund.

Mr Latham noted that CPF is not a separate legal entity from the Council and any property sourced would need to be in the name of FCC, not CPF. Additionally, the CPF Team does not have expertise to source accommodation, security, IT, etc. The Chair noted that CPF should look to FCC to support the move, whilst highlighting the need to make progress quickly and for CPF officers to take control of the situation. The Board shared these concerns and agreed there may be a need for escalation if progress is not made.

ACTION:

The Chair will raise the Board's concerns with the Chief Executive, if progress is not made imminently.

ACTION
Chair of
Pension Board

9. CYBER RISK AND BUSINESS CONTINUITY

Mrs K Williams explained that The Pensions Regulator (TPR) has made clear that as a priority, LGPS funds should make their own arrangements for cyber security rather than fully relying on

administering authorities. The Fund has prepared a Cyber Incident Response Plan (CIRP) in order to provide assurance in the event of a cyber attack. This has been prepared in full consultation with FCC to complement FCC requirements.

Mrs K Williams explained that to prevent delay in translating into Welsh, pre-translated wording would be included in the CIRP to initially notify stakeholders of an incident.

At the next CPF Administration Team meeting the CIRP will be shared to ensure that everyone is aware of the process and key points of contact. A similar session will also be held for the CPF Finance Team.

The Fund's cyber security safeguards will continue to be reviewed as part of routine, day-to-day work.

Mrs Williams also confirmed that the Business Continuity Plan had been finalised.

10. ENGAGEMENT WITH WALES PENSION PARTNERSHIP

Following the Special PFC meeting in April, Mr Latham contacted the Committee for comments in order to compile the main points into a letter to WPP. Only one response has been received. Mr Latham felt it is important for any communication with WPP to reflect the views of the Committee rather than a single officer. Mr Weigh suggested re-circulating the email.

ACTION:

The Board requested that officers arrange for a reminder be sent to Committee members as it would be helpful to receive further input to ensure the Committee are happy with the points covered.

ACTION
Ms Nancarrow

11. PENSION FUND COMMITTEE REPORTING

Mr Latham explained the governance concerns around the size of the Committee agenda packs. Currently the Committee receive a large, detailed agenda pack each meeting. Changes are proposed to reduce the reporting of monitoring information while maintaining the monitoring itself. The proposal was to start alternating the monitoring update reports at meetings, so that in June the Committee will receive a detailed administration update report and only a brief investment monitoring update. Then at the next Committee in September there will be detailed investment and funding update report and only a brief summary update of administration matters. A rota would continue on this basis.

However, any key matters arising will not be delayed, for example while the November meeting will have an administration focus, the TCFD report will still be proposed for approval at this time. There are no changes proposed to governance reporting.

Mr Weigh said that over-provision of information can have the same governance impact as under-provision, and he was in favour of reducing unnecessary reporting.

Mr Jackson agreed, and said that the proposal should help members to digest information and draw out the main points. Mrs E Williams also agreed.

The Chair noted that the Board will provide comment in future if they feel any reporting is missing.

12. THE PENSION REGULATOR'S GENERAL CODE OF PRACTICE

The Chair explained that The Pension Regulator's long awaited new General Code of Practice went live on 28th March 2024, and the old Code of Practice has now been retired. As the new Code includes new content, even for existing areas, LGPS funds may need to make changes to evidence compliance.

The Fund will be aiming to comply with all requirements including areas flagged as good practice only, albeit one module is being delayed for now (Own Risk Assessment). The officers and Aon have carried out a compliance review using the scorecard Aon have developed. The Fund was prudent in its approach and areas have only been marked fully compliant where sufficient documentation is in place to evidence compliance. This means that while the number of total modules that are fully compliant is small, progress against each individual requirement is positive overall.

An action plan is being developed for the non-compliant areas and progress will be reported to the Committee and Board.

Mr Emmerson asked how the Board would like to receive updates on the Fund's compliance going forward. The Board agreed that an action plan should be brought to the next meeting, and subsequently receive updates on actions for each quarter.

Mr Weigh asked why the Scheme Governance module was unanswered and the Chair clarified that the governance and administration views were yet to be collated for this and a further meeting was planned.

ACTION:

Ms Nancarrow to ensure the Board's Workplan is updated for future reporting.

ACTION
Ms Nancarrow

13. GOVERNANCE OF LOCAL INVESTMENTS

Mr Latham explained that historically the Fund has considered local investments to be in Wales and the Welsh/English border areas, and that the Fund was now looking at local investments specific to the Flintshire, Wrexham and Denbighshire areas. The aim is to deliver a positive impact in the local area. Social impact can be considered when selecting investments provided fiduciary duty continues to be met.

The Good Economy (TGE) has established several place-based impact investing labs across England which support local authorities in identifying investment opportunities. Fund Officers facilitated a meeting between the FCC Chief Officer team with a view to considering the potential for all three authorities to work together with TGE to look at opportunities in the Clwyd area.

In terms of managing conflict of interest with local investments, Mr Latham confirmed that Mercer will carry out due diligence and provide a suitability letter on local investments with specific managers. The Chair welcomed the use of a body such as The Good Economy as this means there is distance between the Fund and unitary authorities as scheme employers. This should help reduce pressure being put directly on the Fund and assist in managing conflicts of interest. If any pressure from the unitary authorities does arise, Mr Latham will discuss this with the Board.

Mr Weigh thought it would be helpful to involve the management team at WCBC and DCC to ensure they are aware of the discussions. He highlighted his interest as Chief Finance Officer at WCBC and it was agreed this would be added to the declarations of interest for the meeting.

Mrs E Williams said that past training sessions on ESG have focussed on environmental matters, and she was pleased to see work addressing the social aspect. She felt town and community councils, and scheme members would be interested in the work as well. She thanked officers for the strong planning and work that had gone into the project.

Mr Jackson said the social impact of investments can affect all scheme members, and said it is important for the Fund to retain the team's passion for the topic to keep up the momentum.

Mrs Fielder informed the Board that TGE produced an impact investment factsheet for the Fund last year which is currently being translated for publication. Another factsheet is being worked on for this year. A training session is being held after the next Committee where further questions can be asked.

14. ANNUAL REPORT GUIDANCE AND EXTERNAL AUDIT

Mrs Fielder explained that new guidance has been issued by CIPFA and SAB on the preparation of LGPS Fund Annual Reports. CPF officers are in the process of creating a new compliance checklist to highlight changes from the previous guidance. The majority of investment requirements are already met by the Fund on a voluntary basis, or data is already available to the Fund which means the new requirements can be met.

Mrs K Williams explained that there were substantial changes to the administration KPIs for the report, and she had been involved in a CIPFA roundtable event to share her experience in this area. Generally the Fund is in a good position with KPI reporting, and already meets some of the new requirements. For some new requirements, such as statistics on age and frequency of MSS logins, the Fund is not able to retrospectively collect data but arrangements are being made to record this data for reporting in future years.

Mrs Fielder said that the new requirements apply this year on a 'best endeavours' basis, and this will be made clear to the External Auditor.

The Chair suggested that it would be helpful for the Board to see CIPFA's new guidance checklist completed at a future meeting, to see what the Fund has achieved and what areas remain outstanding.

ACTION:

Ms Nancarrow to add to the Board's future Workplan.

The Chair also noted that the guidance includes a requirement for Funds to ensure that the presentation of information is "suitable for the relevant readership". She asked if there will be consideration of this in future. Mrs K Williams said that the Fund is considerate of accessibility but that there may be some work needed to ensure the report is written according to the Fund's Communications Policy in Plain English. This will be considered and taken forward in future years. The Chair suggested a short summary similar to the infographic that accompanied the Fund's

ACTION
Ms Nancarrow

TCFD report. Mr Latham noted that there are challenges in making technical information digestible for the reader considering the Annual Report's role as a statutory return for the Government. He suggested that an Annual Report summary video could be developed to summarise key points for stakeholders in future.

Mrs Fielder explained that the timescale for preparing the Annual Report and Accounts has been brought forward this year at Audit Wales' request. The aim is to begin audit of the accounts as soon as possible and audit of the complete annual report in early August. The goal will then be to complete audit in time for September Committee, however Audit Wales may not be resourced for this and so this may be deferred to November Committee which is the usual timescale.

15. ADMINISTRATION UPDATE (standard item)

Mrs K Williams took the Board through this update, highlighting:

- The project team which Committee approved in August has now been recruited to and will start up this year with a focus on the pensions dashboard project. Conversations are in progress with FCC's procurement team around the appointment of the Integrated Service Provider. Resource is currently going into confirming scheme member data with the help of a credit score company to verify member details. If any discrepancies are found, scheme members will be contacted for confirmation.
- The majority of data has now been received for the McCloud project. 76% of data from employers using the Employer Liaison Team (ELT) has been uploaded, and 66% from employers in total. There are some complex areas including members with multiple part time jobs and variable hours, and updating these records is time consuming. Target dates will be reviewed at the next data workstream meeting and will then go to PMG and the Steering Group.
- The Fund's telephony service is being looked at to improve Welsh language standards, and to better direct and monitor members' queries.
- Resource planning is currently ongoing around employers' redundancy exercises and a further employer is signing up to use the ELT services.
- There are some backlogs including transfers due to wider national issues, which are reflected in the KPIs.

The Chair asked if there are any changes to staffing, and Mrs K Williams said that the team was considering arranging handover periods for key members of staff approaching retirement.

Mrs E Williams noted the complaint received regarding Prudential, and asked whether historical issues were still ongoing. Mrs K Williams explained that Prudential have been reported to

The Pension Regulator in the past but the situation has been improving. The main issue was around members' AVC contributions in the month before retirement which lead to delays from Prudential notifying final AVC amounts, which are needed for the Fund to carry out final calculations. This is communicated to members within the retirement pack and is also mentioned in the expected timescales to help manage expectations.

Mr Jackson noted the positive relationship between CPF and the Community Councils, and Mrs K Williams said that the engagement meetings have helped to improve this.

16. ASSET POOLING (standard item)

Mr Latham explained that a series of roundtable events are ongoing, one of which he will be attending next week regarding pooling and the possibility of reducing the number of pools in future. To date there has been no update on cross border pooling. Mr Latham suggested that it would be helpful to ask employers for feedback on the current local provisions, as the possibility of fund mergers is also likely to arise. Mr Latham noted that views on the need to consider consolidation seem to be consistent across the political parties.

17. RISK REGISTER (standard item)

Mr Emmerson explained that the Fund's updated Risk Management Policy was approved by Committee in March, and officers are now working with advisers to update the risk registers in the new format which involves a complete review of the contents. Risk ratings have now changed: the black rating has been removed and red risks are now expected to be less likely and have an escalation requirement. Committee/Board members should therefore be mindful of the change in scoring, as this may result in risk ratings looking better when compared to the previous registers.

18. BREACHES LOG (standard item)

There were no updates to the breaches log reported.

19. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

The Chair recently attended the CIPFA conference for Pension Board members. She noted the following highlights:

- Suggestions for SAB to take ownership in discussions of mergers and gather evidence for and against the current state of the LGPS.

- Knowledge and skills discussions including climate change impacting committee membership decisions.
- Suggestions around committee chairs being remunerated in a similar manner as pension trustees are.
- There was a session on behavioural science in communications impacting engagement, design and branding, and the Chair was pleased to note that CPF have already progressed with much of the areas discussed.

20. CONSIDERATION OF RECENT COMMITTEE PAPERS

There were no comments on this agenda item.

21. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

The Board agreed that the matters to be discussed with the Chief Executive will also be raised at Advisory Panel, including the appointment of the Committee Chairperson and the Fund's future accommodation. It is expected that the Advisory Panel will also discuss the letter to WPP after this is circulated again for Committee members.

22. TRAINING NEEDS ANALYSIS

The Chair thanked Mrs E Williams and Mr Jackson for completing the training needs analysis questionnaire, noting that this wasn't relevant for Mr Weigh to complete as a new member.

The analysis highlights areas for further development including cyber security, fraud, and breaches of the law, and some CIPFA competencies. Matters specific to the Fund had a good level of knowledge and skills reported. The analysis was used to inform the development of the training plan for 2024/25.

The Chair asked if Board members had any requests for training areas.

Mr Jackson said he was comfortable with the current provision, and thought that the Fund had provided excellent training particularly over the past 12 months, and discussions on investment and responsible investment were handled exceptionally well.

Mrs E Williams agreed that plenty of training was provided and she did not feel that anything was missing. She highlighted the range of topics covered and plenty of opportunities to attend external events.

The Chair asked if there had been anything raised at Committee or Board meetings that Board members had not understood and

would benefit from clarification or further training. She suggested the Fund could ask this question after each meeting.

Mr Weigh said that the training has been focused on the right topics and the Fund has provided training as needed.

The Chair noted there is also risk associated with providing too much training, and Mr Emmerson said that that it may be perfectly reasonable for understanding to be lesser in some areas given CIPFA does not require expert understanding in the Committee and Board roles.

Mrs E Williams said that external events are a good opportunity to converse with members of other Boards, even remotely. She said in her experience this helps to put matters into a wider perspective, and she feels positively about the way the Fund supports communication between the Committee and Board. The Chair agreed with this.

Mrs E Williams said that she personally feels her understanding of investment matters is weaker than governance matters, and the Chair provided assurance noting that the role of the Board is focussed on administration and governance, not investment.

23. PENSION BOARD ANNUAL REPORT

The Chair explained that as part of good practice, a Pension Board Annual Report is produced annually for inclusion in the Fund's Annual Report. Due to the changed timescales this year, instead of the Board discussing this in advance, a draft has been prepared for Board members to consider and provide feedback or comments. She asked Board members to check in particular that they agree with the attendance of training and meetings. The Board members agreed to approve the draft on the basis that the training log was amended to reflect where Mr Weigh was not a member of the Board, and also to amend Mr Jackson's attendance at an internal training session.

ACTION:

Ms Nancarrow will update the training log.

ACTION
Ms Nancarrow

24. FUTURE WORK PLAN

There were no further changes to the future work plan for the Pension Board, other than the points highlighted during the meeting.

25. FUTURE DATES

Future dates were noted including:

- Proposed Pension Board meeting dates:
 - September/October meeting – to be confirmed
 - Tuesday 3rd December 10:30am – 3:00pm
 - Tuesday 1st April 10:30am – 3:00pm

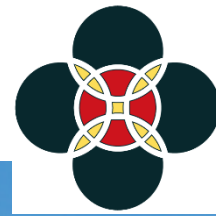
These were proposed as face-to-face meetings with hybrid facilities if available.
- Proposed Committee dates (9:30am-12:00pm unless otherwise stated)
 - June 19th 2024
 - September 11th 2024 (2:00pm-4:30pm)
 - November 27th 2024
 - February 19th 2025
 - March 19th 2025
 - June 18th 2025
- Training and other upcoming events:
 - 14th May 2024 – Aon Webinar: Cyber and TPR Requirements.
 - 15th May 2024 – CIPFA Annual Local Pension Board Conference
 - 11th – 13th June 2024 – PLSA Local Authority Conference
 - June 18th 2024 - WPP Q1 Training: Product Knowledge and Cyber Security
 - June 19th 2024 - CPF Essential Training: Responsible Investment and Pensions for Purpose
 - Internal training scheduled on afternoons of PFC dates, and the morning of 11 September)

26. ANY OTHER BUSINESS

The Chair noted that this would be Mrs Fielder's final Board meeting. The Board thanked Mrs Fielder for her help to both the Board and the wider Pension Fund over the years.

The meeting closed at 13:34pm

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Clwyd Pension Fund Conflicts of Interest Policy September 2024

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Introduction

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions. Conflicts of interest can arise where:

- those with LGPS administering authority responsibilities have other roles, for example as a member of the scheme, as an employee or elected member of an employer participating in the LGPS
- advisers to LGPS funds advise more than one LGPS administering authority
- those involved in managing or advising a fund have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds

LGPS administering authorities' fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers does not mean they must not have other roles or responsibilities which may result in an actual or potential conflict of interest. However, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Clwyd Pension Fund, managed by Flintshire County Council (the "Administering Authority").

The Policy details how we identify and manage actual and potential conflicts of interest and supplements other constitutional documents, including the various Codes of Conduct. It applies to Pension Fund Committee members, Pension Board members, officers and our advisers. Our aim is to ensure those individuals do not act improperly or create a perception that they may have acted improperly. We view this as being part of good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

Aims and Objectives

The Clwyd Pension Fund's Mission Statement is as follows:

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

In relation to the governance of the Fund, our objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies

- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all 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 its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success

Identifying and managing potential and actual conflicts of interest is essential to us achieving our governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to:

- all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not
- the Pension Fund Management Team, the Corporate Finance Manager (as statutory Section 151 Officer) and The Corporate Manager – People and Organisational Development and the Chief Executive (collectively referred to as the senior officers of the Fund in this Policy)
- all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers

The Head of the Clwyd Pension Fund will monitor potential conflicts for all officers involved in the daily management of the Fund and highlight this Policy to them on appointment and as appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

In this Policy, **advisers** includes all parties providing advice and services to us in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to those adviser(s) responsible for the delivery of advice and services to us rather than the firm as a whole.

In accepting any role covered by this Policy, individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with us and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;

- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with us how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (the administering authority for an LGPS fund) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and Pension Boards. The LGPS national scheme advisory board issued [guidance relating to the establishment of Pension Boards](#) including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, 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 conflicts of interest for Pension Board members are not being adhered to.

The Pensions Regulator's General Code

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's General Code of Practice includes the following modules relating to or with reference to the management of Conflicts of Interest which apply due to underlying legal requirements or are good practice for public service pension schemes like the LGPS:

- Conflicts of interest
- Appointment and role of the chair
- Meetings and decision-making
- Remuneration and fee policy
- Knowledge and Understanding
- Managing advisers and service providers
- Identifying, evaluating, and recording risks
- Assurance reports on internal controls
- Own risk assessment
- Systems of governance
- Investment decision-making
- Decision to report breaches of the law

The Conflicts of Interest module sets out requirements in relation to how the governing body¹ of a public service pension scheme should:

¹ In the Code, governing body of a public service pension scheme is defined as the scheme manager (which for

- identify, record (within a register of interest) and review conflicts of interest both on appointment and at each governing body meetings (e.g. Pension Fund Committee and Pension Board)
- manage conflicts and mitigate the risks of tainted decision making through appropriate control measures.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have." It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for administering authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy takes account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

Local Government Act 2000

All members and co-opted members of the Clwyd Pension Fund Committee are required by the Local Government Act 2000 to abide by Flintshire's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

The Public Services Ombudsman for Wales' Ten Guiding Principles

Under the Local Government Act 2000 the National Assembly (now the Welsh Government) issued principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added: a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The individual sections of the Council's Members' Code of Conduct (which the Council's Constitution extends to co-opted Pension Fund Committee members and Pension Board

Clwyd Pension Fund is Flintshire County Council, albeit the responsibilities have been mainly delegated to the Pension Fund Committee).

members) are designed to support the implementation of the Principles. For example, the Selflessness principle is covered by Section 7 of the Code – Selflessness and Stewardship.

The current principles are detailed below and many of these are integral to the successful implementation of this Policy.

1. Selflessness
2. Honesty
3. Integrity and Propriety
4. Duty to Uphold the Law
5. Stewardship
6. Objectivity in Decision-making
7. Equality and Respect
8. Openness
9. Accountability
10. Leadership

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between us and an adviser in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Pension Fund Committee Members

In addition to the requirements of this Policy, Pension Fund Committee members and co-opted members are required to adhere to the Flintshire County Council Members' Code of Conduct which, in Part 3, includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Pension Board Members

In addition to the requirements of this Policy, Pension Board members are required to adhere to Part 8 of the Pension Board Protocol which includes declaring any interests that may lead to a conflict situation.

Employees

In addition to the requirements of this Policy, our officers are required to adhere to the Flintshire County Council Employees' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

Advisers

We appoint our own advisers. Contracts and terms of appointment for our key advisers will require that they have their own policies on how conflicts of interest will be managed in their relationships with their clients which should have been shared with us prior to appointment.

In addition, all advisers must provide, on request, information to the Head of the Clwyd Pension Fund in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to us. This may be separate from any written reports, advice or due diligence completed for the Fund.

There may be circumstances where our advisers are asked to give advice to Flintshire County Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Clwyd Pension Fund and on which advice is required or to a supplier or organisation providing services to the Clwyd Pension Fund. Our adviser would be expected to raise the potential conflict of interest with us, in line with this policy and whilst the adviser's firm may be able to accept the other appointment, an individual adviser can only continue to advise us and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person or organisation as is appointed to advise the Pensions Fund Committee or Fund officers as long as any conflict of interest between the two roles can be avoided or managed to the satisfaction of the Head of Clwyd Pension Fund.

Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). We require that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Fund Committee meeting, and that this will be recorded in the minutes.

Wales Pension Partnership Conflict of Interest Policy

One of the potential areas of conflict covered by this Policy is investment pooling. A proportion of the Clwyd Pension Fund's assets are invested through the Wales Pension Partnership and this is expected to increase over time. The Chair and Vice-Chair of the Clwyd Pension Fund Committee (as members of the Joint Governance Committee) and officers of the Fund who are members of the Officer Working Group must also comply with

the requirements of the Wales Pension Partnership Conflict of Interest Policy² when carrying out their Wales Pension Partnership roles and responsibilities.

What is a Conflict or Potential Conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by us, and

at the same time has:

- a separate personal interest (financial or otherwise) or
- another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 1. The appendix also illustrates where disclosure of a personal or prejudicial interest may separately be required for Pension Fund Committee members (including co-opted members) under the Flintshire County Council Members' Code of Conduct. As can be seen from the examples, a key area of potential conflict relates to the dual role of the Council as Administering Authority and a participating employer in the Clwyd Pension Fund.

We encourage a culture of openness and transparency and encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

We will consider any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting)

² <https://walespensionpartnership.org/publications/conflicts-of-interest-and-procedure-policy/>

- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)
- appointing an independent member to help ensure decisions are not prejudiced by conflicts of interest
- advisers taking appropriate action to ensure any advice to us is not prejudiced by an advisory role undertaken by colleagues at the same firm to a party connected to the Fund whose interests may not be aligned with ours.

Provided that we, (having taken any professional advice deemed to be required) are satisfied that the method of management is satisfactory, we will try to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Minor Gifts

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £50 per item and an overall maximum value of £100 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Fund Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Flintshire County Council Members' Code of Conduct. Similarly our officers may also be subject to lower limits or other restrictions within Council employee policies.

Responsibility

As the scheme manager for the Clwyd Pension Fund, we must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of the Clwyd Pension Fund is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Operational procedure

The following procedures must be followed by all individuals to whom this policy applies.

All members of the Pension Fund Committee (including co-opted members) and Pension Board members have an overriding requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members' Code of Conduct relating to the

treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council's Code of Conduct.

What is required	How this will be done
Step 1: Initial identification of interests which do or could give rise to a conflict	<p>On appointment to their role, all individuals and advisers³ will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.</p>
Step 2: Ongoing notification and management of potential or actual conflicts of interest	<p>At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest. The latest version of the Register will be made available by the Governance Officer to the Chair of every meeting prior to that meeting if required.</p> <p>At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chair and the Head of the Clwyd Pension Fund prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Head of the Clwyd Pension Fund, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or (where relevant) to withdraw from voting on the matter.</p> <p>If a conflict is identified outside of a meeting the notification must be made to the Head of the Clwyd Pension Fund and where it relates to</p>

³ In some circumstances where there is an extremely low risk of a conflict situation arising or where there is an alternative procedure which is considered to appropriately manage any potential conflict situation, the Pensions Operations Manager will determine it is unnecessary for third party organisations appointed by the Fund to be included in this procedure, for example if there is a contract which is for the supply of stationary or other materials.

	<p>the business of any meeting, also to the Chair of that meeting. The Head of the Clwyd Pension Fund, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Head of the Clwyd Pension Fund may seek such professional advice as they think fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.</p>
What is required	How this will be done
Step 3: Periodic review of potential and actual conflicts	At least once every 12 months, the Governance Officer will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will be required to confirm that their information is correct or highlight any changes that need to be made.

Monitoring and Reporting

All declarations should be collated and recorded on the Fund's Register of Conflicts of Interests (see Appendix 3 for details on the format of the register).

The Pension Fund Committee and the Pension Board will include an item on conflicts of interest at each meeting. The Pension Board must also include an item on conflict of interest in its Annual Report.

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Head of the Clwyd Pension Fund.

In order to identify whether the objectives of this Policy are being met we will:

- review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- provide our findings to our Independent Adviser and ask them to include comment on the management of conflicts of interest in their annual report on the governance of the Fund each year

Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of the Clwyd Pension Fund will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Failure by an individual to follow the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting
- Differences between local and central government policy and Fund objectives (for example investment direction, or interpretation of fiduciary duty)

Costs

All costs related to the operation and implementation of this Policy will be met directly by Clwyd Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was most recently reviewed and approved by the Pension Fund Committee on 11 September 2024. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

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

Philip Latham, Head of the Clwyd Pension Fund
 Flintshire County Council
 County Hall
 Mold
 Flintshire
 CH7 6NA

E-mail: Philip.latham@flintshire.gov.uk

Telephone: 01352 702264

Appendix 1: Examples of Potential Conflicts of Interest

Area	Examples of Pension Related Potential Conflict of Interest ⁴	Also a Personal or Prejudicial Interest ⁵
Administration	a) An employer representative on the Pension Board is employed by a company to which the Administering Authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.	No
	b) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.	Yes
	c) The Administering Authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Finance Director, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund.	No
	d) Officers of the Fund are asked to provide a report to the Pension Board or Pension Fund Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers.	No
	e) An administrator in the Fund receives a case to calculate a benefit which relates to a family member, close friend or colleague.	Yes
	f) A senior officer in the Fund or Pension Fund Committee member is a family member or close friend of a candidate for a vacant Fund officer role.	Yes
Employers	g) An employer representative employed by the Administering Authority and appointed to the Pension Board to represent employers generally could be conflicted if they only serve to act in the interests of the Administering Authority, rather than	No

⁴ These examples are provided for illustrative purposes only. All scenarios are generic and relatively common potential conflicts for LGPS pension funds to manage. It is important that this is recognised, as if not identified early, recorded and mitigated, potential conflicts could become actual.

⁵ This indicates those interests that must also be declared by Pension Fund Committee members in accordance with the Flintshire County Council Members' Code of Conduct.

	those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.	
	h) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Pension Board. They have to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Pension Board.	No
	i) The senior pension fund officer is asked to provide technical advice to a scheme employer about an outsourcing contract. This includes questions about the impact on that employer and their employer requirements relating to the outsourcing contract. That senior pension fund officer is also (or will be) involved in similar matters from a Pension Fund perspective relating to that outsourcing.	No
Funding	j) An elected member on the Pension Fund Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer they represent.	No
	k) An officer with an employer related interest in an exiting employer is involved in determining the amount of an exit credit payable to that employer as a Fund delegated discretion.	No
Governance	l) An officer of the Fund is asked to provide guidance to the Pension Board on the background to an item considered at the Pension Fund Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Fund Committee item.	No
	m) A member of the Pension Fund Committee or officer of the Fund is on a Wales Pensions Partnership committee/group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.	No

Investment	n) A member of the Pension Fund Committee member is on the board of an Investment Manager that the Fund is considering appointing.	Yes
	o) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the Wales Pensions Partnership.	No
	p) An officer of the Fund or member of the Pension Fund Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.	No
	q) An elected member on the Pension Fund Committee, who also sits on the WPP Joint Governance Committee, also has a role in their local authority in relation to local infrastructure, and this is a potential investment being considered by Wales Pensions Partnership which the Fund might invest in.	No
	r) An elected member on the Pensions Committee has a role in driving carbon reduction in their local authority area, as well as having responsibility for decision-making in relation to the Fund's responsible investment policy.	No
	s) An officer with delegated responsibility for investment decisions is approached by a more senior officer or elected member at the Council to consider an investment in which the Council has a financial interest, or as part of their own role, sees an opportunity for an investment which would benefit the Council.	No

Appendix 2: Declaration of Interests relating to the management of Clwyd Pension Fund administered by Flintshire County Council

Tick as appropriate

I {insert full name}, am:

- an officer involved in the management of the Fund
- an adviser to the Fund
- Pension Fund Committee Member
- Pension Board Member

of Clwyd Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Clwyd Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest

(Please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Undertaking:

I declare that I understand my responsibilities under the Clwyd Pension Fund Conflicts of Interest Policy. I undertake to notify the Head of Clwyd Pension Fund of any changes in the information set out above.

Signed _____ Date _____

Name (CAPITAL LETTERS) _____

Appendix 3: Clwyd Pension Fund Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and we will maintain and review a register of conflicts annually.

Date Identified	Name of Person	Role of Person	Details of Conflict	Actual or potential conflict	How notified [1]	Action taken [2]	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc

(2) E.g. withdrawing from a decision making process, left meeting



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.

Training Plan as at 7 August 2024

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Essential For	Comments / Timescales
External	Desirable	LGC Investment and Pensions Summit (Birmingham)	Annual LGC Summit	11 Sep 2024	12		Limited spaces - Priority given to Chair and Vice Chair
Internal	Essential	CPF Essential Training - Governance and National Developments	National Developments in LGPS Governance	11 Sep 2024	1	Committee members, Board members, Senior Officers	Morning session
External	Desirable	LGA Fundamentals 2024 - Day 1	LGA LGPS Fundamentals - Agenda TBC	10 Oct 2024	TBC		October 10th (York), 15th (London) or 25th & 30th (Online)
External	Desirable	WPP - Q2 - WPP Policies	Responsible Investment Policy; Climate Risk Policy; Stewardship Policy	18 Oct 2024	2.5		
External	Desirable	LGA Fundamentals 2024 - Day 2	LGA LGPS Fundamentals - Agenda TBC	05 Nov 2024	TBC		November 5th (York), 13th (London) or 21st & 28th (Online)
Internal	Desirable	Pooling and WPP Governance Workshop	CPF Internal training	26 Nov 2024	TBC		
Internal	Essential	CPF Essential Training - Funding Strategy	Actuarial matters around the interim valuation and the potential changes to Funding Strategy ahead of the 2025 Actuarial Valuation	27 Nov 2024	TBC	Committee members, Board members, Senior Officers	
External	Desirable	WPP - Q3 - Responsible Investment	Net Zero journey planning; Climate Metrics	28 Nov 2024	2.5		
External	Desirable	LGA Fundamentals 2024 - Day 3	LGA LGPS Fundamentals - Agenda TBC	04 Dec 2024	TBC		December 4th (York), 10th (London) or 12th & 17th (Online)

Internal	Essential	CPF Essential Training - TNFD	Including the requirements of TNFD and how the Fund intends to implement these.	19 Feb 2025	TBC	Committee members, Board members, Senior Officers
Internal	Essential	(TBC) CPF Essential Training - National Developments	TBC - Other national developments as they arise.	19 Mar 2025	TBC	Committee members, Board members, Senior Officers
Internal	Essential	CPF Essential Training TBC	TBC	18 Jun 2025	TBC	Committee members, Board members, Senior Officers
External	Desirable	PLSA Local Authority Conference 2025	TBC	16 Jun 2025	TBC	

Previous Events

External	Desirable	Unison LGPS Forum	Misc. Webinar	25 Jun 2024		
Internal	Essential	CPF Essential Training - Impact Investing	The Fund's approach on impact investing.	19 Jun 2024	3	Committee members, Board members, Senior Officers
External	Desirable	WPP - Q1 - Product Knowledge and Cyber Security	Product Knowledge and Cyber Security	18 Jun 2024	2.5	
External	Desirable	LGC - Octopus Webinar	Misc. Webinar	14 Jun 2024	0	
External	Desirable	PLSA Local Authority Conference	PLSA Annual Confrence	11 Jun 2024	12.5	11-13 June - De Vere Cotswold Waterpark, Gloucestershire
External	Desirable	LAPFF - Social protection for garment workers: The employment injury scheme	Misc. Webinar	30 May 2024		
External	Desirable	Hyman's - Factoring nature into your investment strategy: why, how and what next? Webinar	Misc. Webinar	30 May 2024		
External	Desirable	CIPFA Annual LPB Conference for Board Members	CIPFA Annual Conference for Pension Board members	15 May 2024	4.5	London
External	Desirable	Aon Webinar - Cyber and TPR Requirements	Aon Webinar	14 May 2024	1	

Ref	A1	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of joining	Owner	SB/AR
Party which caused the breach	CPF + various employers		
Description and cause of breach	<p>Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays. 31/10/2022 Staff member doing this process had internal secondment, so vacancy now needs to be filled, and then trained. 10/3/2023 New staff member is now being trained so will continue to have impact until fully up to speed. 20/02/2024 Additional positions within this area approved at August Committee. Recruitment drive completed and new staff members started early February. Breach expected to continue until new staff are fully up to speed.</p>		
Category affected	Active members		
Numbers affected	<p>2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: 3363 cases completed / 50% (1697) were in breach. 2020/21: 3940 cases completed / 39% (1544) were in breach 2021/22; 4072 cases completed / 15 % (626) were in breach 2022/23 -Q1 - 947 cases completed / 5% (50) were in breach -Q2 - 968 cases completed / 12% (112) were in breach -Q3 - 1437 cases completed / 20% (286) were in breach -Q4 - 947 cases completed / 15% (140) were in breach 2023/24 -Q1 - 713 cases completed / 12% (86) were in breach -Q2 - 794 cases completed / 7% (61) were in breach -Q3 - 1234 cases completed / 8% (99) were in breach -Q4 - 695 cases completed / 7% (50) were in breach 2024/25 -Q1 - 613 cases completed / 6% (35) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation. 		

Actions taken to rectify breach	<ul style="list-style-type: none"> - Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. <p>Actions prior to 2022 not shown, but recorded on the breaches log.</p> <p>14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area.</p> <p>22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 12/08/2022 - Number of breaches fallen as expected due to completion of training. Recent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again.</p> <p>31/10/2022 - Number of breaches has increased this quarter. Staff vacancies have been advertised, shortlisting and interviews planned in the coming weeks. Prioritising workloads will be key so the number of cases in breach do not continue to rise. 03/03/2023 - Vacant positions filled and training underway. 24/05/2023 - Training continues and staff members attained a KPI presentation to fully understand implications if timescales not met. 16/08/2023 - Internal staff movement has had a short term impact on this KPI. Expecting reductions in next quarter results as staff members become more efficient. 10/11/2023 Additional resource approved at last Committee. Expecting further reduction of breaches once appointed. 6/02/2024 Appointments made in December with start dates early February. Improvements expected once training complete. 24/5/2024 New staff members now in post and training nearing completion. Improvements expected in next quarter. 12/08/2024 Training is now complete</p>
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required.
Assessment of breach and brief summary of rationale	12/08/2024 - Number in breach has reduced slightly but so has the number requiring completion. If further improvements are made, will consider changing assessment to green.
Reported to tPR	No

Ref	A2	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late transfer in estimate	Owner	AR
Party which caused the breach	CPF + various previous schemes		
Description and cause of breach	<p>Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request.</p> <p>Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019.</p> <p>31/10/2022 New regulatory requirements have resulted in additional steps having to be taken, which makes process longer and more complex.</p> <p>10/11/2023 Due to awaiting new GAD guidance, there was a pause in processing for a few months to November 2023.</p> <p>6/02/2024 Following on from receipt of GAD guidance, further software updates are required to facilitate completion of certain transfers (club transfers).</p>		
Category affected	Active members		

Numbers affected	<p>2017/18: 235 cases completed / 36% (85) were in breach. 2018/19: 213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21: 224 cases completed / 25% (57) were in breach 2021/22: 309 cases completed / 28% (87) were in breach 2022/23 -Q1 - 98 cases completed / 9% (9) were in breach -Q2 - 104 cases completed / 19% (20) were in breach -Q3 - 66 cases completed / 12% (8) were in breach -Q4 - 118 cases completed / 17% (20) were in breach 2023/24 -Q1 - 31 cases completed / 55% (17) were in breach -Q2 - 111 cases completed / 59% (66) were in breach -Q3 - 52 cases completed / 54% (28) were in breach -Q4 - 95 cases completed / 77% (73) were in breach 2024/25 -Q1 - 105 cases completed / 67% (71) were in breach</p>
Possible effect and wider implications	<ul style="list-style-type: none"> - Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.
Actions taken to rectify breach	<p>17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively. 31/10/2022 - A review of this process is being undertaken as additional steps are now required. 03/03/2023 - Process has been reviewed and improvements expected in the next quarter results. 24/05/2023 - Completed training for required staff members 16/08/2023 - Transfers have been on hold whilst awaiting GAD guidance and relevant factors for calculation. Guidance has now been received and staff are working through backlog. 10/11/2023 - Staff continuing to work through backlog following the pause in processing whilst awaiting GAD guidance. 6/02/2024 - Some transfers still on hold whilst awaiting software update following release of guidance. Staff working through backlog of transfers that can be processed. Breach likely to remain until all information received from outgoing pension providers. 24/05/2024 - Some transfers continue to be on hold whilst awaiting further guidance. Staff continue to work through backlog of transfers that can now be processed. Breach likely to remain until all transfers can be processed and all information received from outgoing pension provider. 12/08/2024 - Staff continuing to work through backlog.</p>
Outstanding actions (if any)	07/06/2024 - implement new software updates when they are received
Assessment of breach and brief summary of rationale	12/08//2024 - Historical cases caused by the delay of guidance and the hold on transfers continue to be completed once information has been received from outgoing fund. As previously mentioned, due to the temporary nature of the backlog, the assessment of the breach remains Amber.
Reported to tPR	No

Ref	A4	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of retirement benefits	Owner	SB
Party which caused the breach	CPF + various employers + AVC providers		

Description and cause of breach	<p>Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age.</p> <p>Due to a combination of:</p> <ul style="list-style-type: none"> - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider. - temporary large increases in work due to retrospective pay award recalculations <p>31/10/2022 Also seeing general increase in number of retirements.</p> <p>20/02/2024 Previous vacancies within this area now filled. Breach expected to continue until new staff are fully up to speed.</p>
Category affected	Active members mainly but potentially some deferred members
Numbers affected	<p>2017/18: 960 cases completed / 39% (375) were in breach.</p> <p>2018/19: 1343 cases completed / 30% (400) were in breach</p> <p>2019/20: 1330 cases completed / 25% (326) were in breach</p> <p>2020/21: 1127 cases completed / 24% (269) were in breach</p> <p>2021/22: 1534 cases completed / 14% (222) were in breach</p> <p>2022/23</p> <ul style="list-style-type: none"> -Q1 - 413 cases completed / 19% (81) were in breach -Q2 - 442 cases completed / 18% (81) were in breach -Q3 - 419 cases completed / 14% (58) were in breach -Q4 - 358 cases completed / 18% (66) were in breach <p>2023/24</p> <ul style="list-style-type: none"> -Q1 - 370 cases completed / 12% (43) were in breach -Q2 - 478 cases completed / 13% (62) were in breach -Q3 - 434 cases completed / 18% (80) were in breach -Q4 - 456 cases completed / 15% (68) were in breach <p>2024/25</p> <ul style="list-style-type: none"> -Q1 - 487 cases completed / 20% (98) were in breach
Possible effect and wider implications	<ul style="list-style-type: none"> - Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from members/employers. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	<ul style="list-style-type: none"> - Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). - Set up of ELT to monitor and provide leaver details in a more timely manner. - Prioritising of task allocation. - Set up of new process with one AVC provider to access AVC fund information. - Increased staff resources. <p>Actions prior to 2023 not shown, but recorded on the breaches log.</p> <p>03/03/2023 - New staff have been appointed but will not be fully trained for a number of months.</p> <p>24/05/2023- Training of new staff continues. New project team is being established to remove non KPI/ad hoc pressures from Operations which impacts on workload. Improvements will be made over a period of months.</p> <p>16/08/2023 - Recruitment campaign underway to fill vacant positions within operations team following internal promotion. Further improvements expected once positions filled and new staff members trained. Workload reviewed and new structure being proposed at August Pension Committee for approval. If approved, additional resource will assist with reducing number of cases in breach.</p> <p>10/11/2023 - New structure approved and vacant positions within the retirement team have been filled. Further reductions expected once new recruits are fully trained.</p> <p>6/02/2024 - Training of new recruits is progressing well. Time taken to train and annual leave due to holiday season has impacted on the number of cases in breach this quarter. Improvements expected as training nears completion.</p> <p>24/5/2024 - Number of cases completed has increased and the number in breach has reduced. Continued improvement expected in this area.</p> <p>1/7/2024 - Existing non-KPI/ad hoc cases now moved to be responsibility of project team, and going forward project team will be responsible for these.</p> <p>12/08/2024 A recent vacancy within the team has impacted on performance and recruitment is underway to fill the position. Once appointed, the successful candidate will require training.</p>

Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required. Complete all recalculations so all appropriate staff can focus on retirements. 10/3/2023 - Training of new staff to be able to carry out retirements. 12/08/2024 - Recruit to vacant position and complete training as required.
Assessment of breach and brief summary of rationale	12/08/2024 - Recruitment required to fill vacant position and the number in breach remains too high to reduce assessment.
Reported to tPR	No

Ref	A6	Date entered in register	20/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of death benefits	Owner	SB
Party which caused the breach	CPF		
Description and cause of breach	<p>Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative).</p> <p>Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task.</p> <p>31/10/2022 More staff now trained on deaths but they are impacted due to increases in other workloads.</p> <p>20/02/2024 Training taking longer than expected due to complexity of cases and staff members are also training other members of staff in different areas.</p>		
Category affected	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).		
Numbers affected	<p>2017/18: 153 cases completed / 58% (88) were in breach. 2018/19: 184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21: 195 cases completed / 27% (53) were in breach 2021/22: 207 cases completed / 13% (26) were in breach 2022/23 -Q1- 59 cases completed / 17% (10) were in breach -Q2 - 37 cases completed / 22% (8) were in breach -Q3 - 51 cases completed / 39% (20) were in breach -Q4 - 43 cases completed / 28% (12) were in breach 2023/24 -Q1- 43 cases completed / 28% (12) were in breach -Q2 - 33 cases completed / 36% (12) were in breach -Q3 - 53 cases completed / 26% (14) were in breach -Q4 - 42 cases completed / 29% (12) were in breach 2024/25 -Q1 - 46 cases completed / 28% (13) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for there to be an impact on CPF reputation. 		

Actions taken to rectify breach	<ul style="list-style-type: none"> - Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. <p>3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues. 31/10/2022 - Due to pressures of other processes and vacancies within the team, key staff responsible for this process are stretched. Vacancies advertised, shortlisting and interviews planned within coming weeks. 03/03/2023 - Vacant positions have now been filled and training is underway. 16/08/2023 - Training nearing completion, improvements expected in coming months. 10/11/2023 - Training still ongoing as also training new staff members on retirement process. A number of these breaches incurred due to being notified of death quite late into the 2 month legal timeframe. 24/5/2024 - Improvement are still expected due to the training of additional staff in this area. Breaches will continue to occur if the Fund is notified late within the 2 month period. Internal processing times suggest this to be the case.</p>
Outstanding actions (if any)	<p>10/3/23 Ensure all training continues as quickly as possible to free up people to refocus on death cases. 12/08/2024 - Analysis of historical cases will help identify source of breach.</p>
Assessment of breach and brief summary of rationale	12/08/2024 Further reduction in number of breaches required. Assessment of breach to remain Amber.
Reported to tPR	No

Ref	A26	Date entered in register	10/11/2023
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late transfer out estimate	Owner	AR
Party which caused the breach	CPF		
Description and cause of breach	<p>Requirement to provide details of transfer value for transfer out on request within 3 months from date of request (CETV estimate). Note this is the same as breach A3 which was closed previously.</p> <p>Late completion of calculation and notification by CPF due awaiting new GAD guidance (which resulted in a pause in processing for a few months to November 2023).</p>		
Category affected	Active and deferred members		
Numbers affected	<p>2023/24</p> <ul style="list-style-type: none"> -Q2 - 103 cases completed / 32% (33) were in breach -Q3 - 72 cases completed / 19% (14) were in breach -Q4 - 88 cases completed / 51% (45) were in breach <p>2024/25</p> <ul style="list-style-type: none"> -Q1 - 96 cases completed / 14% (13) were in breach 		
Possible effect and wider implications	<ul style="list-style-type: none"> - Potential financial implications on some scheme members. - Potential complaints from members/new schemes. - Potential for impact on CPF reputation. 		
Actions taken to rectify breach	<p>10/11/2023 - Transfers have been on hold whilst awaiting GAD guidance and relevant factors for calculation. Guidance has now been received and staff are working through backlog. 24/05/2024 - Staff continue to work through backlog of cases following transfers being on hold. As more transfers are able to be completed the number in breach will continue to increase until all backlog cases have been completed. Staff members within relevant team are prioritising what can be done to reduce number of future backlogs. 12/08/2024 - Staff have continued to work through backlog with numbers of cases completed increasing.</p>		
Outstanding actions (if any)	12/08/2024 Still awaiting further software and guidance.		
Assessment of breach and brief summary of rationale	12/08/2024 - It remains that not all transfer types can be completed. Although the number in breach has reduced, it remains too high to reduce assessment. Breach will remain Amber until the backlog of cases on hold is completed.		
Reported to tPR	No		

Ref	F110	Date entered in register	01 Jun 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to April 2023 was not received within the deadline. Multiple previous breaches, however only one within the last two years, F73.
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	21/06/2023 - Emailed to request outstanding remittances. No response received. See subsequent actions F112-F117,F119,F124
Outstanding actions (if any)	None
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.
Reported to tPR	No

Ref	F112	Date entered in register	23 Jun 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to May 2023 was not received within the deadline. Previous breach in 2023/24 is F110.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	21/07/2023 - Escalated to Deputy Head of Fund, emailed Chair of Marchwiell CC. Chair confirmed the Clerk had been contacted. See subsequent actions F113-F117,F119,F124		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F113	Date entered in register	01 Aug 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to June 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	See subsequent actions F114-F117,F119,F124		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F114	Date entered in register	23 Aug 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to July 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	06/09/2023 - Email received from clerk explaining absence. 07/09/2023 - Emailed clerk to request outstanding remittances. Response received. 08/09/2023 - Emailed clerk. Response received. See subsequent actions F115-F117,F119,F124
Outstanding actions (if any)	None
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.
Reported to tPR	No

Ref	F115	Date entered in register	26 Sep 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to August 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	25/09/2023 - Emailed clerk. Response received 28/09/2023. 03/10/2023 - Emailed clerk to request outstanding remittances. No Response received. See subsequent actions F116-F117,F119,F124		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F116	Date entered in register	22 Oct 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to September 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114, F115		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	06/11/2023 - Escalated to Debbie Fielder as Deputy Head of Fund. Emailed to request outstanding remittances. Response received 09/11/2023. 09/11/2023 - DF replied, requesting outstanding remittances. See subsequent actions F117,F119,F124		
Outstanding actions (if any)	None		

Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.
Reported to tPR	No

Ref	F117	Date entered in register	23 Nov 2023
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>The remittance advice relating to October 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114, F115, F116</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	See F119,F124		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F119	Date entered in register	04 Jan 2024
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>The remittance advice relating to November 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114, F115, F116, F117</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	See F124		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F120	Date entered in register	04 Jan 2024
Status	Closed	Date breached closed (if relevant)	03 Jul 2024
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	<p>Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.</p> <p>Contributions in relation to November 2023 were not received within the deadline. No previous breaches of this type, but outstanding remittances ongoing (see F119).</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	<ul style="list-style-type: none"> - Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer. 		
Actions taken to rectify breach	See F125		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F124	Date entered in register	23 Jan 2024
Status	Closed	Date breached closed (if relevant)	04 Jul 2024
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	<p>A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made.</p> <p>The remittance advice relating to December 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114, F115, F116, F117, F119</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	<p>05/02/2024 - Received email from outgoing clerk to incoming clerk, passing on details of outstanding payments and remittances. Advised to expect remittances this week. Not received.</p> <p>08/02/2024 - Operations team contacted locum clerk and confirmed he is looking to resolve the backlog of outstanding issues.</p> <p>27/03/2024 - Emailed outgoing clerk to chase outstanding figures. No response received.</p> <p>15/05/2024 - Locum contacted Technical team confirming outgoing clerk's leaving date and there are now no active members as the locum himself has not enrolled. Admin teams await final information.</p> <p>29/05/2024 - As there are no active members, contributions/remittances expected up to December 2023 only. Therefore, there are no further additional breaches beyond this point.</p> <p>03/07/2024 - Cheque received for payment of outstanding contributions, Locum advised that remittances are now being completed, and email sent requesting these.</p> <p>04/07/2024 - Remittances received.</p>		
Outstanding actions (if any)	None		
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.		
Reported to tPR	No		

Ref	F125	Date entered in register	23 Jan 2024
Status	Closed	Date breached closed (if relevant)	03 Jul 2024
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Marchwiell Community Council		
Description and cause of breach	<p>Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions.</p> <p>Contributions in relation to December 2023 were not received within the deadline. One previous breach of this type (F120).</p>		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	<ul style="list-style-type: none"> - Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer. 		

Actions taken to rectify breach	<p>05/02/2024 - Received email from outgoing clerk to incoming clerk, passing on details of outstanding payments and remittances.</p> <p>08/02/2024 - Operations team contacted locum clerk and confirmed he is looking to resolve the backlog of outstanding issues.</p> <p>27/03/2024 - Emailed outgoing clerk to chase outstanding figures. No response received.</p> <p>15/05/2024 - Locum contacted Technical team confirming outgoing clerk's leaving date and there are now no active members as the locum himself has not enrolled. Admin teams await final information.</p> <p>29/05/2024 - As there are no active members, contributions/ remittances are expected up to December 2023 only. Therefore, there are no further additional breaches beyond this point.</p> <p>03/07/2024 - Cheque received for payment of all outstanding contributions.</p>
Outstanding actions (if any)	None
Assessment of breach and brief	Green - Breaches no longer outstanding, issues resolved at employer level.
Reported to tPR	No

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Clwyd Pension Fund Scheme of Delegation

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

Delegated powers being used (extracted from agreed PFC delegations):	Delegation:	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.
	Delegated Officer(s):	DHCPF and the CFM as agreed by Committee on June 19 th 2024.
	Communication and Monitoring of Use of Delegation	Ongoing reporting to PFC for noting.

Subject matter	Appointment of Investment Consultant.
Recommendation	To appoint Mercer Ltd with effect from 1 October 2024.

Background:
As agreed at the March Committee, and set out in the Business Plan, the investment consultancy contract (which is currently held by Mercer) was being re-tendered prior to its expiry on 31 March 2025 to enable the procurement process to be led by the Deputy Head of the Fund prior to her retirement given her expertise in this process. This requires notice to be served on the current advisers to terminate the existing contract before its scheduled expiry (regardless of the procurement outcome). As has been the case in the past, the tender was run through the National

LGPS Framework (currently the Investment Management Consultancy Services Framework 2022).

It took longer than expected to launch the tender, principally due to changes in procurement regulations and guidance which have required additional time and advice from our procurement advisers. As a result, it was not possible to bring a recommendation to Committee for approval of the preferred bidder to the June Committee.

To enable the Deputy Head of the Fund to see the procurement process through to its conclusion, including advising the bidders of the outcome of the process in a timely manner, the Committee delegated “the selection, appointment and dismissal” (as required) of the Fund’s investment consultants to the Deputy Head of Fund and the Corporate Finance Manager following the completion of the interviews and associated scoring. The outcome of the delegation will be reported for noting at the September Committee.

The Fund received 2 bids for the tender. Both were invited to present to officers and the final scores are shown below.

	Consultant A	Consultant B
Quality & Service Fit		
Scores	63	75.5
Fees		
Scores	10.15	9.85
Final		
Scores	73.15	85.35

Consultant B was awarded the contract.

Approved:

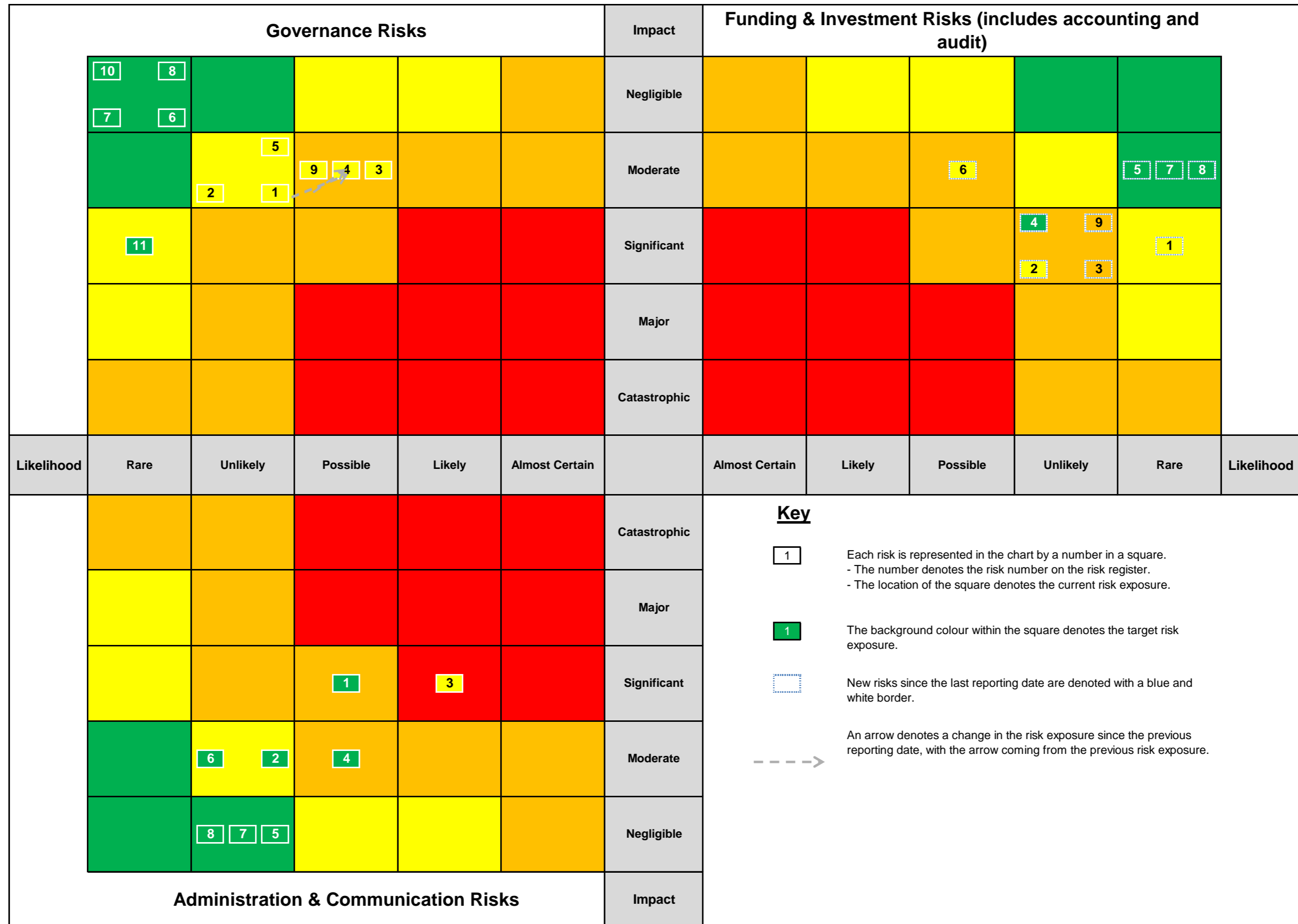
	Name:	Date:
Deputy Head of Clwyd Pension Fund:	Debbie Fielder	<u>28/06/2024</u>
Corporate Finance Manager:	Gary Ferguson	28/06/2024

Calendar 2024-25 Aug-24

Month	Date	Day	Committee	Pension Board	Other Events	Location
2024/25						
Sept						
	11-Sep	Wed	PFC 2.00pm - 5.00pm			County Hall (Hybrid)
	18-Sep	Wed			WPP JGC	Flintshire (Hybrid)
Oct						
	03-Oct	Thur		PB 9.30am - 3.00pm		County Hall
Nov						
	27-Nov	Wed	PFC 9.30am - 12.00pm			County Hall (Hybrid)
Dec						
	03-Dec	Tues		PB 10.30am - 3.00pm		County Hall
	10-Dec	Tues			WPP JGC	Virtual
	26-Nov	Tues			Annual Employer and Scheme Member Representative Meeting	County Hall
Jan						
Feb						
	19-Feb	Wed	PFC 9.30am - 12.00pm			County Hall (Hybrid)
Mar						
	12-Mar	Wed			WPP JGC	Swansea (Hybrid)
	19-Mar	Wed	PFC 9.30am - 12.00pm			County Hall
2025/26						
	01-Apr	Tues		10:30am - 3:00pm		County Hall
	18-Jun	Wed	PFC 9.30am - 12.00pm			County Hall
	16-Jul	Wed			WPP JGC	Virtual
	17-Sep	Wed			WPP JGC	Torfaen (Hybrid)
	08-Dec	Mon			WPP JGC	Virtual
	10-Mar	Tues			WPP JGC	Cardiff (Hybrid)

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All Fund Risk Heat Map and Summary of Governance Risks



Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives can be found within a separate summary

Risk no.	Risk Event (this [event] could happen)	Risk cause (...due to [cause]...)	Risk Impact (...which may result in the following [impact] to our objectives)	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	Committee decision-making is inappropriate	<ul style="list-style-type: none"> - Lack of knowledge and/or failure to take appropriate advice - Poor engagement / preparation for Committee meetings - Irrelevant factors influence decisions and/or relevant factors are ignored - Conflicts of interest (including relating to non-PFC roles/responsibilities) are not appropriately managed - Excessive turnover in PFC membership - Failure to delegate - Lack of diversity in PFC membership 	<ul style="list-style-type: none"> - The Fund's legal or fiduciary responsibilities are not met - The Fund is not (seen as) professional providing excellent customer focused, reputable and credible service - Additional costs are incurred beyond the agreed budget - Service delivery to stakeholders is adversely affected, risk levels are inappropriate, strategic aims are not met - Fund stakeholders (members and/or employers) lose faith in the Fund's governance/risk management 	M1, G1, G2, G3, G4, G5, G6, G7, K1, K2, K3, E1	Moderate	Unlikely	Yellow	<ol style="list-style-type: none"> 1 - Independent and other professional advisers provide advice to PFC (with the former focused on governance) 2 - Oversight by Local Pension Board 3 - PFC Terms of Reference and Board Protocol in Constitution support continuity of membership through terms of appointment and are reviewed triennially to ensure they remain fit for purpose 4 - PFC and PB effectiveness surveys provide opportunity to review effectiveness of decision-making process 5 - Schedule of delegations allows urgent matters to be agreed outside of formal Committee 6 - Knowledge and Skills policy covers PFC and implementation is monitored to ensure objectives are met 7 - Conflicts of Interest policy, including interest declarations and register, applies to PFC 8 - Annual compliance check against TPR Code 9 - EDI Policy in place 	Moderate	Unlikely	Yellow	😊			<ol style="list-style-type: none"> 1 - Ensure new PFC members receive induction training including on COI (PL) 2 - Periodic review of Col and K&S policies - Sept 24/ est'd Q4 2024/25 respectively (PL) 3 - Agree and implement EDI action list (PL) 4 - Discuss continuity of PFC membership - PB Chair/HofF/CEX (PL) 	Phil Latham	03/10/2024	03/09/2024	
2	Officer/delegated decision-making is inappropriate	<ul style="list-style-type: none"> - Lack of knowledge and/or failure to take appropriate advice - Poor engagement / preparation for Committee/Board/AP/officer meetings - Irrelevant factors influence decisions and/or relevant factors are ignored - Conflicts of interest (including relating to FCC roles/responsibilities) are not appropriately managed - Loss of knowledge through officers leaving - Insufficient resource - Inappropriate use of delegations - Lack of diversity / inclusion in senior management team 	<ul style="list-style-type: none"> - The Fund's legal or fiduciary responsibilities are not met - The Fund is not (seen as) professional providing excellent customer focused, reputable and credible service - Additional costs are incurred beyond the agreed budget - Service delivery to stakeholders is adversely affected, risk levels are inappropriate, strategic aims are not met - Fund stakeholders (members and/or employers) lose faith in the Fund's governance/risk management 	M1, G1, G2, G3, G4, G5, G6, G7, K1, K2, K3, E1	Moderate	Unlikely	Yellow	<ol style="list-style-type: none"> 1 - Independent and other professional advisers provide advice to officers and are part of AP 2 - Oversight by Local Pension Board 3 - All delegated decisions reported to PFC 4 - Documented process requirements for delegated decision making, with specific requirements relating to investment related decisions, including "local" investments 5 - Schedule of delegations reviewed triennially to ensure it remains fit for purpose 6 - Senior officers included in Knowledge and Skills Policy 7 - Conflicts of Interest policy, including interest declarations and register, applies to senior officers 8 - Annual compliance check against TPR Code 9 - EDI Policy in place 	Moderate	Unlikely	Yellow	😊			<ol style="list-style-type: none"> 1 - Finalise work on succession planning (PL) 2 - Review and implement sub-groups on AP (PL) 3 - Periodic review of Col and K&S policies - Sept 24/ est'd Q4 2024/25 respectively (PL) 4 - Agree and implement EDI action list (PL) 	Phil Latham	03/10/2024	03/09/2024	
3	WPP delegated decision-making is inappropriate (particularly for CPF)	<ul style="list-style-type: none"> - Lack of knowledge and/or failure to take appropriate advice - Poor engagement / preparation for JCG/OWG meetings - CPF requirements not adequately explained/understood by other funds in WPP or WPP advisers/suppliers - Irrelevant factors influence decisions and/or relevant factors are ignored - Conflicts of interest are not appropriately managed - The Inter-Authority Agreement is not correctly followed - Lack of diversity / inclusion within WPP decision makers 	<ul style="list-style-type: none"> - The Fund's legal or fiduciary responsibilities are not met - The Fund is not (seen as) professional providing excellent customer focused, reputable and credible service - Additional costs are incurred beyond the agreed WPP and/or Fund budget - WPP services/deliverables - Service delivery to stakeholders is adversely affected, Fund risk levels are inappropriate, strategic aims are not met/cannot be achieved, including investment objectives - Fund stakeholders (members and/or employers) lose faith in the Fund's governance/risk management 	M1, G1, G2, G3, G4, G5, G6, G7, K1, K2, K3, E1	Moderate	Possible	Yellow	<ol style="list-style-type: none"> 1 - Independent oversight and legal advisers provide advice to WPP on governance and related matters 2 - CPF PFC Chair involvement as member of WPP JGC 3 - CPF officers involvement including as part of WPP OWG and risk sub-group 4 - CPF K&S induction and training plan includes relationship with WPP 5 - Oversight/awareness via biannual Board Chairs' Engagement meetings 6 - WPP monitors against its Training Policy which covers the Host Authority, JGC and OWG 7 - WPP Col Policy and Procedures in place including process for decision making for "local" investments 	Moderate	Unlikely	Yellow	😐	Current likelihood 1 too high	10/06/2024	Mar 2025	<ol style="list-style-type: none"> 1 - Finalise CPF structure and review AP sub-groups (for Deputy retirement/investment risk) (PL) 2 - Hold PFC Workshop on WPP governance incl. consider WPP response to feedback (PL) 3 - CPF request that the Inter Authority Agreement is reviewed regularly to ensure it remains fit for purpose (PL) 4 - CPF officers involved in procurement for WPP oversight adviser and WPP engagement/voting provider. (PL) 5 - Pension Finance Manager (Investments) to be added onto OWG once appointed. (PL) 	Phil Latham	03/10/2024	03/09/2024
4	Decisions not implemented - resourcing issues	<ul style="list-style-type: none"> - Poor Business Planning and Fund management leading to insufficient resource - Difficulty in recruiting and/or retaining staff (including due to low pay grades) - Lack of, or poor quality, training - External events impacting resource (e.g. climate change/pandemics) - Failure to take appropriate advice 	<ul style="list-style-type: none"> - Poor quality organisation/papers etc for PFC, PB and AP meetings - Risk management not being adequately carried out - Increased pressure/expectations on staff - Additional costs (overtime / external support) - The Fund's legal or fiduciary responsibilities are not met 	M1, M2, G2, G4, G5, K1, B1	Moderate	Possible	Yellow	<ol style="list-style-type: none"> 1. Comprehensive and robust business planning annually, including budget/resourcing 2. Advisers support with business planning, including horizon scanning to ensure appropriate budget/resourcing 3. Ongoing discussions with FCC senior officers via AP on different roles and skills required for CPF to support recruitment/retention 4. Staff development plans/ongoing training and development of Fund staff 	Moderate	Unlikely	Yellow	😐	Current likelihood 1 too high	03/09/2024	Mar 2025	<ol style="list-style-type: none"> 1 - Finalise CPF structure review (including consideration of impact of pay grades) (PL) 2 - Finalise work on succession planning (PL) 3 - Periodic review of K&S policies - est'd Q4 2024/25 (PL) 4 - Carry out knowledge/skills gap analysis and ensure relevant training for new Management Team. (PL) 	Phil Latham	03/10/2024	03/09/2024
5	Decisions not implemented - FCC barriers	<ul style="list-style-type: none"> - Uncompetitive pay/ inappropriate grading of roles - Insufficient separation of FCC role as local authority and administering authority of CPF - Lack of understanding of CPF specific issues within FCC - FCC conflicts of interest not appropriately managed 	<ul style="list-style-type: none"> - Resourcing issues - Risk management not being adequately carried out - Inadequate support for CPF relating to its IT, accommodation, legal requirements - Additional costs (overtime / external support) and time for officers - The Fund's legal or fiduciary responsibilities are not met 	M1, M2, G4, G5, B1, R1	Moderate	Unlikely	Yellow	<ol style="list-style-type: none"> 1. Business planning includes budget/resourcing and reinforces separation of FCC and CPF budgets 2. Inclusion of FCC senior officers on AP assists in regular reinforcing of differences between FCC and CPF via AP 3. FCC constitution and schedule of delegations reviewed annually to protect status of CPF within FCC 4. CPF Conflicts of Interest Policy regularly reviewed and extends to senior officers on AP 	Moderate	Unlikely	Yellow	😊			<ol style="list-style-type: none"> 1 - Finalise CPF structure review (including consideration of impact of pay grades) (PL) 2 - Periodic review of COI policy - Sept 24 (PL) 3 - PB Chair/HofF/CEX to discuss various FCC matters (PL) 4 - Accommodation move to be agreed/planned with FCC Property Team (KW) 	Phil Latham	03/10/2024	03/09/2024	
6	Decisions not implemented - provider failure	<ul style="list-style-type: none"> - Inappropriate contractual terms (particularly where contracts are extended or rolling contracts) - Lack of effective contract management - Providers or advisers have an unmanaged conflict of interest - Providers/advisers have insufficient experienced resource to meet the Fund's needs - Cyber attack or other business continuity incident at the provider not appropriately managed 	<ul style="list-style-type: none"> - Additional costs (overtime / external support) and time for officers - Increased pressure/expectations on staff - Service delivery to stakeholders is adversely affected, risk levels are inappropriate, strategic aims are not met - The Fund's legal or fiduciary responsibilities are not met 	M1, M2, G4, G5, K2, B1, R1, C1, BC1	Negligible	Rare	Green	<ol style="list-style-type: none"> 1. Regular procurement exercises undertaken, with support from procurement advisers, including questions on cyber and business continuity plans 2. Conflict of interest policy extends to key Fund advisers 3. Adviser budgets included in business plan and monitored 4. Regular informal review of adviser performance 5. Application of CMA requirements to investment consultants (and other advisers where appropriate) 6. Regular assessment of providers as part of CPF cyber security strategy 	Negligible	Rare	Green	😊			<ol style="list-style-type: none"> 1 - Conduct tender for independent adviser (PL) 2 - Consider extension of actuarial/benefits consultancy contract (PL) 	Phil Latham	03/10/2024	03/09/2024	

Risk no:	Risk Event (this [event] could happen)	Risk cause (...due to [cause]...)	Risk Impact (...which may result in the following [impact] to our objectives)	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	
7	Ineffective oversight - PB	<ul style="list-style-type: none"> - Lack of knowledge and/or failure to take appropriate advice - Poor engagement / preparation for Board meetings, including agendas not being appropriate - Poor engagement / attendance at Board meetings - Conflicts of interest (including relating to non-PB roles/responsibilities) are not identified or not appropriately managed - Excessive turnover in PB membership - Lack of diversity on PB membership 	<ul style="list-style-type: none"> - Issues not identified, impacting on service delivery or other Fund objectives - TPR or other external regulator involvement - The Fund does not have / is not seen as having, a culture of risk awareness, financial governance or providing the highest quality, distinctive services 	M2, G1, G2, G4, G5, B1, R1, E1	Negligible	Rare	Green	<ol style="list-style-type: none"> 1 - Independent chair and professional advisers provide advice to PB 2 - Board Protocol supports continuity of membership through terms of appointment and is reviewed triennially to ensure it remains fit for purpose 3 - PB effectiveness surveys provide opportunity to review effectiveness of PB oversight 4 - Standard agenda items to ensure key matters are presented and considered 5 - Knowledge and Skills policy covers PB and implementation is monitored to ensure objectives are met 6 - Annual compliance check against TPR Code 7 - EDI Policy in place 	Negligible	Rare	Green	😊			<ol style="list-style-type: none"> 1 - Appoint replacement PB scheme member (trade union) representative (PL) 2 - Review PB scheme member (non-trade union) representative (PL) 3 - Review Chair of the PB (PL) 4 - Agree and implement EDI action list (PL) 	Phil Latham	03/10/2024	03/09/2024	
8	Ineffective oversight - internal and external audit	<ul style="list-style-type: none"> - Lack of knowledge/understanding of the LGPS - Insufficient resources to adequately carry out audit responsibilities - Conflicts of interest - Excessive turnover in audit personnel 	<ul style="list-style-type: none"> - Issues not identified, adversely impacting service delivery or other Fund objectives - Annual report and accounts not approved on time - Inefficiencies for CPF staff answering unnecessary questions - Inappropriate audit opinion and recommendations - TPR or other external regulator involvement - The Fund does not have/ is not seen as having, a culture of risk awareness, financial governance or providing the highest quality, distinctive services 	M2, G5, B1, R1	Negligible	Rare	Green	<ol style="list-style-type: none"> 1 - Internal Audit Strategic Plan agreed annually by FCC Governance and Audit Committee includes resource requirements and CPF-specific audit activities 2 - Fund officers (and advisers if required) liaise with internal audit as required to explain LGPS context 3 - Detailed Audit Plan provided to the PFC by Audit Wales, specific to the Fund (i.e. separate to the FCC Audit) 4 - Annual engagement between Head of CPF, PB Chair and internal audit to identify areas of focus 	Negligible	Rare	Green	😊			<ol style="list-style-type: none"> 1 - At end of this year's ARA audit, review to ensure more efficient process in future years. (DB) 	Phil Latham	03/10/2024	03/09/2024	
9	Unable to adequately/ appropriately implement governance changes - external	<ul style="list-style-type: none"> - Number and/or extent of national governance-related changes is unmanageable within CPF resource constraints - Government requirements for pooling/fund merger incompatible with CPF-specific strategies 	<ul style="list-style-type: none"> - The Fund's objectives / legal responsibilities are not met or are compromised - Fund stakeholders (members and/or employers) lose faith in the Fund's governance/risk management 	G1, G5	Moderate	Possible	Yellow	<ol style="list-style-type: none"> 1. Comprehensive and robust business planning anticipates future developments 2. Advisers able to provide additional support where needed 3. Fund officers, PFC and PB members provide PFC perspective at national conferences, discussions and working groups 4. Fund responds to all relevant consultations, calls for evidence etc 	Moderate	Unlikely	Yellow	😐	Current likelihood 1 too high	10/06/2024	Mar 2026	<ol style="list-style-type: none"> 1 - Continue to monitor national announcements and initiatives (PL) 2 - Continue to participate in national groups, engage with Committee/Board and employer/scheme member representatives, and respond to consultations (PL) 3 - Continue to engage with WPP in relation to national announcements/initiatives (PL) 	Phil Latham	03/10/2024	03/09/2024
10	Fund adversely affected by Acts of fraud including corruption, bribery and money laundering	<ul style="list-style-type: none"> - Inadequate existence checking - Lack of, or poor quality, training - Loss of knowledge through officers leaving - Insufficient resource - Inadequate checking / sign off - Inadequate security checks (IT and otherwise) when dealing with members/employers/third parties 	<ul style="list-style-type: none"> - Loss of benefits to scheme members, or payments made to incorrect person - Loss of or inappropriate use of Fund assets - Criminal activity / not meeting legal requirements - Complaints / IDRPCs, rectification costs & reputational damage - Higher employer contributions (if assets lost) 	M2, G2, G4, G5, G7, R1, C1, BC1	Negligible	Rare	Green	<ol style="list-style-type: none"> 1. Internal controls in place as listed in CPF Fraud Policy which is reviewed triennially, including appropriate verification of all payments to/from the Fund and requests to update member details 2. CPF follows requirements of FCC policies including Anti-Fraud and Corruption Strategy, Anti-Money Laundering Policy, Whistleblowing Policy, Information Security Policy 3. Fund training plan includes fraud prevention measures 4. Internal and external audit check for fraud 5. Consideration given to any national fraud-prevention initiatives 	Negligible	Rare	Green	😊			<ol style="list-style-type: none"> 1 - Over/underpayments policy to be reviewed Q3 2024/25 (KW) 	Phil Latham	03/10/2024	03/09/2024	
11	No or restricted access to our systems	<ul style="list-style-type: none"> - Business Continuity incident - Cyber attack - FCC system failure - Natural event (including impact of climate change) 	<ul style="list-style-type: none"> - Service provision interrupted - Errors due to manual workarounds - Services not being delivered, or delays in delivery - Data security breaches - Loss of assets and potentially higher employer contributions - Increased costs - Complaints / IDRPCs, rectification costs & reputational damage - Fund stakeholders (members and/or employers) lose faith in the Fund's governance/risk management 	M1, G4, G5, G7, B1, R1, C1, BC1	Significant	Rare	Yellow	<ol style="list-style-type: none"> 1 - Business Continuity Policy and Plan in place, regularly reviewed and with regular testing including for lack of systems 2 - Cyber Security Policy, cyber incident response plan (CIRP) and other cyber security controls in place (including training), regularly reviewed and with regular testing including third party-providers 3 - Specialist support from FCC and regular engagement around FCC involvement in business continuity/cyber incident response 4 - Specialist support from consultants 5 - Hosting of Altair implemented, and lump sum payments processed via pensioner payroll facility 	Moderate	Rare	Green	😐	Current impact 1 too high	10/06/2024	Dec 2024	<ol style="list-style-type: none"> 1 - Review cyber security controls against latest TPR Guidance (KW) 2 - Finalise and implement testing schedules for BCP and CIFP (KW/DB/IH/PL) 3 - Periodic review of Cyber Strategy - Mar 25 (KW) 4 - Ensure new management structure are aware of their responsibilities for BC/cyber, etc, and ensure appropriately covered during transitional period. (KW) 	Karen Williams	03/10/2024	03/09/2024

Clwyd Pension Fund - Control Risk Register

Objectives for Governance risks

Policy/Strategy	Reference	Objective
Mission Statement	M1	to be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all customers
	M2	to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget
	M3	to work effectively with partners, being solution focused with a 'can' - do approach
Governance Policy	G1	Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
	G2	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
	G3	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
	G4	Understand and monitor risk
	G5	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
	G6	Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
	G7	Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.
Knowledge and Skills Policy	K1	Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
	K2	Those persons responsible for governing the Clwyd Pension Fund have sufficient knowledge and skills to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
	K3	Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.
Breaches Procedure	B1	Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.
Risk Policy	R1	Understand and monitor risk, aiming to: -integrate risk management into the culture and day-to-day activities of the Fund - raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners) - anticipate and respond positively to change - minimise the probability of negative outcomes for the Fund and its stakeholders - establish and maintain a robust framework and procedures for 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.
Cyber Policy	C1	- cyber risk management and cyber governance are integrated into the overall risk management approach of the Fund to reduce any potential loss, disruption or damage to scheme members, scheme employers or the Fund's data or assets. - all those involved in the management of the Fund understand cyber risks and their responsibilities in helping to manage it. - all data and asset flows relating to the Fund are identified and evaluated on a regular basis to identify the potential magnitude of cyber risk. - we maintain an incident response plan, which is regularly tested, to ensure any incidents are dealt with promptly and appropriately with the necessary resources and expertise available.
Business Continuity Policy	BC1	- Maintain and adapt recovery strategies and testing to be able to deliver business continuity solutions to agreed levels within agreed timescales as set out in the Business Continuity Plan - Ensure the Fund's business continuity approach encompasses key processes and addresses any continuity issues that may arise allowing the Fund to maintain key services and minimise any negative impact - Ensure normal operations can be restored as efficiently and effectively as possible following an incident - Ensure all Pension Fund staff, the Pension Fund Committee, Pension Board, Pension Fund Advisory Panel and other relevant stakeholders (such as advisers and suppliers) understand the Fund's business continuity management approach and their responsibilities in relation to it - Integrate business continuity management into business as usual activities and the culture of the Fund and regularly review its effectiveness.
EDI Policy	E1	In relation to EDI, we aim to ensure that where possible, those involved in managing the Fund, including the Pension Board and Pension Fund Committee, comprise individuals with a broad range of characteristics, life experiences, expertise, and skills.

Risk Evaluation and Likelihood and Impact Explanations

The following information outlines how risks are to be evaluated. It is based on the FCC evaluation system incorporated in its Risk Management & Strategy (January 2024) but has been customised in places to better fit the management of Clwyd Pension Fund.

Assessment of risk:

Likelihood How likely will the risk happen	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
		1 Negligible	2 Moderate	3 Significant	4 Major	5 Catastrophic
Impact How severe would the outcomes be if the risk occurred						

Interpretation of risk exposure

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

Criteria for assessing impact (based on FCC with CPF customisation):




Description	CPF Examples			
	Service Delivery	Financial	Reputation	Legal
5 Catastrophic	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered	- 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 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 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	Legal action almost certain, unable to defend
	- 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		Formal DLUHC/TPR/SAB or other regulatory intervention/exercise of their powers	Multiple IDRPs and Pension Ombudsman expected (100+), almost certain unable to defend
4 Major	Severe service disruption on a service level with many key strategic outcomes or proprieties delayed or not delivered		Intense public and media scrutiny	Legal action almost certain and difficult to defend
	- 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	Financial	Engagement from DLUHC/TPR/SAB relating to the situation (but not formal intervention/powers being exercised)	Some IDRPs and Pension Ombudsman expected (20 to 100)

3 Significant	Disruption to one or more services / a number of key strategic outcomes or priorities would be delayed or not delivered	- 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/obligations may have a major impact	Local media interest. Scrutiny by external committee or body	Legal action expected
	- 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 (separately or merged)	- Reduction in funding level (e.g. 15-20% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0.5% to 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 significant increase in employer 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	Negative national level information (e.g. outlier on LGPS league tables)	Some IDRP's and Pension Ombudsman expected (5 to 20)
2 Moderate	Some temporary disruption to a single service areas / delay in delivery or one of the Council's key strategic outcomes or priorities	- 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/obligations may have a moderate impact	Internal scrutiny required to prevent escalation	Legal action possible but unlikely and defensible
	- 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)	- Reduction in funding level (e.g. -5-15% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0.25% to 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 a moderate increase in employer contributions which affect public services - A number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Negative regional level information (e.g. outlier on Welsh league tables)	Some IDRP's and Pension Ombudsman expected (up to 5) but mainly informal complaints
1 Negligible	No Noticeable Impact	- 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/obligations may have a moderate impact	Internal review	Legal action very unlikely and defensible
	- 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	- Reduction in funding level (e.g. 0-5% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0% to 0.25% 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 negligible increase in employer contributions which affect public services - A shift in the demographic profile of the Fund which would result in a negligible increase in employer 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		Very small number of informal complaints (under 10) and unlikely to be any IDRP or Pensions Ombudsman claims

Criteria for assessing likelihood

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

Criteria for assessing the difference between the current and target risk exposures:

Symbol	Description
	The current Risk Exposure score, impact or likelihood of the risk, either individually or combined does not meet the criteria set out below.
	The Risk Exposure score is 11 or less; And the current impact and likelihood of the risk are individually no more than 2 classifications higher than the target, and/or the combined difference is no more than 3 classifications higher than the target.
	The Risk Exposure score is 11 or less And the current impact and likelihood of the risk are equal to, or less than, the target impact and likelihood.



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 11 September 2024
Report Subject	Investment, Funding and Pooling Update
Report Author	Graduate Investment Officer

EXECUTIVE SUMMARY

The Investment and Pooling Update is presented at each quarterly Committee meeting. This update covers the following matters for the Committee's attention:

- Progress on items in the 2024/25 Business Plan.
- Updates from the Wales Pensions Partnership (WPP).
- Developments in Responsible Investment.
- Private Markets Update.
- Other relevant matters.
- Delegated Responsibilities: Actions taken by officers since the last Committee meeting.
- Risk Register: No changes have occurred since the last Committee meeting.

The Head of Clwyd Pension Fund and Graduate Investment Officer continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) in their respective roles. They also represent the Clwyd Pension Fund's interests on the on the Officer Working Group (OWG) and various WPP sub-groups.

RECOMMENDATIONS

1	The Committee is asked to consider and note the update and provide any comments and ask any questions.
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REPORT DETAILS

1.00	INVESTMENT AND POOLING RELATED MATTERS															
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides a summary of progress concerning the Investment and Funding section of the Business Plans for 2024/25. Key tasks to note are as follows:</p> <ul style="list-style-type: none"> • F1 (Interim Investment Strategy Review and Implementation) – On target. Work is ongoing to implement the changes agreed as part of the Interim Investment Strategy Review, and they are expected to be completed in Q3 2024. • F2 (Interim Funding Review) – On target. • F3 (Task Force on Nature-Related Financial Disclosures) – On target. Work is ongoing to integrate the TNFD recommendations into the Fund’s TCFD reporting, including the development of a Responsible Investment template to capture nature-related themes and metrics. 															
1.02	<p>Wales Pension Partnership (WPP)</p> <p><i>Joint Governance Committee (JGC)</i></p> <p>The last WPP JGC meeting was held virtually on 17 July 2024. The draft minutes of that meeting are attached as Appendix 2. Further details, including the full public agenda for the most recent JGC meeting, are available here.</p> <p>The JGC discussed or approved the following:</p> <ul style="list-style-type: none"> • Cllr Elwyn Williams and Cllr Medwyn Hughes were appointed as Chair and Vice Chair for 2024/25. • The Host Authority presented WPP’s 2023/24 Annual Report and Audit Letter. • Updates on recent work, future priorities, and a request to include a pooling progress table in the next quarter’s update. • Approval of updates to the Governance and Regulation section of the Risk Register. • The Responsible Investment, Climate, and Stewardship Policies were approved by the JGC. • A progress update was provided by the WPP Private Equity Allocator. • Announcement of WPP’s Real Estate Allocators following a successful tender process. • An update on WPP’s liquid assets’ investment performance to March 2024. Clwyd Pension Fund’s 1-year investment performance to March 2024 is detailed in the table below. <table border="1" data-bbox="304 1843 1366 2063"> <thead> <tr> <th>Mandate</th> <th>Inception</th> <th>Current Net Asset Value</th> <th>Performance</th> <th>Benchmark</th> </tr> </thead> <tbody> <tr> <td>Sustainable Active Equity*</td> <td>Jun 23</td> <td>c. £345m</td> <td>8.2%</td> <td>9.2%</td> </tr> <tr> <td>Multi Asset Credit</td> <td>Aug 20</td> <td>c. £252m</td> <td>10.2%</td> <td>9.4%</td> </tr> </tbody> </table>	Mandate	Inception	Current Net Asset Value	Performance	Benchmark	Sustainable Active Equity*	Jun 23	c. £345m	8.2%	9.2%	Multi Asset Credit	Aug 20	c. £252m	10.2%	9.4%
Mandate	Inception	Current Net Asset Value	Performance	Benchmark												
Sustainable Active Equity*	Jun 23	c. £345m	8.2%	9.2%												
Multi Asset Credit	Aug 20	c. £252m	10.2%	9.4%												

	<p>*3-month investment performance is shown due to the holding period being less than one year.</p>
1.03	<p>Responsible Investment Update</p> <p><u>Clwyd Pension Fund</u></p> <p>The Committee may recall there was no information available in relation to climate metrics for the Fund’s Private Market investments included in last year’s Taskforce on Climate-related Financial Disclosures (TCFD) report.</p> <p>Clwyd Pension Fund, in partnership with Mercer, has developed a Responsible Investment (RI) template that follows the Institutional Investors Group on Climate Change (IIGCC) guidance, aimed at capturing key climate and nature-related metrics within the Fund’s Private Markets portfolio. The data collected as part of this exercise will be integrated into the Fund’s annual TCFD and Taskforce on Nature-related Financial Disclosures (TNFD) reporting.</p> <p>The IIGCC’s Net Zero Investment Framework provides a comprehensive guide for investors to align their portfolios with the goal of achieving net-zero greenhouse gas emissions by 2050 or sooner. It is designed to aid investors in making investment decisions that support the transition to a low-carbon economy while managing associated risk and opportunities.</p>
1.04	<p><u>WPP</u></p> <p><i>Responsible Investment Working Group (RIWG)</i></p> <p>The Fund’s key priorities within its RI policy include enhancing reporting on RI matters. The RIWG has convened three times since the last full Committee update in March 2024. The next meeting is scheduled for 17 September 2024. Discussions in the recent meetings have focused on:</p> <ul style="list-style-type: none"> • Agreeing the WPP Voting & Engagement Provider tender specification. • RI training for WPP stakeholders. • Initial discussions around Stewardship themes. • WPP Climate Framework. • Finalising the Q1 June 2024 RI report, which will cover WPP's sub-fund stock exposures, including voting and engagement activities, securities lending, climate metrics, and ESG metrics. This report will be shared with Committee at the next meeting. <p>The private quarterly WPP Engagement Report and Securities Lending Report will continue to be directly shared with committee members.</p> <p><i>Enhancing WPP Stewardship Themes</i></p> <p>The WPP has recently distributed a questionnaire to each constituent authority seeking feedback to enhance the existing WPP Stewardship Themes. The questionnaire will be emailed to Committee and Board members following this meeting.</p> <p>The current themes are:</p> <ul style="list-style-type: none"> • 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 that plans are published, and climate management disclosures are comprehensive and available for investor scrutiny. Any consideration of carbon offsetting in companies' net-zero plans should be in line with the Oxford Principles and stakeholders should be made aware of any reliance on carbon-removal technologies, including the extent to which these technologies are used.

- **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. While acknowledging that engagement may be nuanced, given unique regional, sector and size circumstances, WPP is particularly supportive of engaging with UK companies on the alignment of their wage structures with the Living Wage Foundation's guidance.
- **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 environmental, social & governance (ESG) criteria.

While the WPP Oversight Advisor believes that WPP's Stewardship Themes continue to be relevant and reflect the WPP's ambitions, they have noted areas where WPP may benefit from increased focus, along with several topics that are gaining greater prominence. They are seeking views on the following:

- Artificial Intelligence (AI), emerging technologies and cyber security
- Human rights
- Corporate lobbying practices

Fund officers will collate the responses from Committee and Board members and provide the feedback to WPP.

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 July 2024.

The total amount of WPP net revenue for Securities Lending during the quarter to March 2024 was £915,594. The Clwyd Pension Fund is invested in one fund which generates revenue, of which our aggregated share can be found in the table below.

	WPP Sub-fund	WPP Net Revenue	CPF Net Revenue																				
	Multi Asset Credit (35%)	£ 48,656	£17,030																				
	The WPP Sustainable Active Equity Fund does not utilise the Securities Lending function.																						
1.05	<p>Private Markets Update</p> <p>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%.</p> <p>Mercer will continue to assist Fund officers in identifying Local and Impact investments, which have a strategic allocation of 6%, until WPP can accommodate the Fund's ambitions in this area. The Fund continues to explore opportunities for investment in the local Clwyd area.</p>																						
1.06	<p><u>Clwyd Pension Fund</u></p> <p>Upon Mercer's recommendation, the Fund has undertaken new Impact/Local and Private Debt investments since the last Committee. The details are as follows:</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Fund</th> <th>Commitment</th> </tr> </thead> <tbody> <tr> <td>Impact/Local</td> <td>Octopus, Affordable Housing Fund</td> <td>£10m</td> </tr> <tr> <td>Private Debt</td> <td>LGT Capital, Crown Impact Private Debt Fund (CIPD)</td> <td>€12m (£10m)</td> </tr> </tbody> </table> <p>The Octopus Affordable Housing Fund aims to invest in the delivery of new high-quality affordable homes in the United Kingdom, focusing on accelerating the provision of genuinely affordable housing, reducing fuel poverty, supporting older populations, and contributing to the levelling-up agenda across the UK.</p> <p>The LGT Capital CIPD Fund, classified as Article 9 under the Sustainable Financial Disclosure Regulations (SFDR), will lend to companies focused on three impact themes: climate action, healthcare, and inclusive growth.</p>			Asset Class	Fund	Commitment	Impact/Local	Octopus, Affordable Housing Fund	£10m	Private Debt	LGT Capital, Crown Impact Private Debt Fund (CIPD)	€12m (£10m)											
Asset Class	Fund	Commitment																					
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1.07	<p><u>WPP</u></p> <p>The following commitments were agreed for the first Private Markets vintages with the WPP Allocators from April 2023:</p> <table border="1"> <thead> <tr> <th>Allocator</th> <th>Asset Class</th> <th>Committed</th> <th>Deployed</th> </tr> </thead> <tbody> <tr> <td>Russell Investments</td> <td>Private Credit</td> <td>£50m</td> <td>c. £12.7m</td> </tr> <tr> <td>GCM Grosvenor</td> <td>Infrastructure</td> <td>£64m</td> <td>c. £18.7m</td> </tr> <tr> <td>Schroders – Vintage 1</td> <td>Private Equity</td> <td>£60m</td> <td>c. £19.5m</td> </tr> <tr> <td>Schroders – Vintage 2</td> <td>Private Equity</td> <td>£20m</td> <td>c. £2.4m</td> </tr> </tbody> </table> <p>The WPP Allocators are tasked with appointing private market managers, with all three Allocators currently deploying capital on behalf of WPP in their respective asset classes.</p> <p>As mentioned in section 1.02 of this report, the WPP Real Estate Allocators were also announced at the JGC in July 2024. Schroders</p>			Allocator	Asset Class	Committed	Deployed	Russell Investments	Private Credit	£50m	c. £12.7m	GCM Grosvenor	Infrastructure	£64m	c. £18.7m	Schroders – Vintage 1	Private Equity	£60m	c. £19.5m	Schroders – Vintage 2	Private Equity	£20m	c. £2.4m
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	Capital were awarded the UK and Impact (with a 50% allocation to Welsh opportunities) mandates, while CBRE secured the Global mandate.
1.08	<p>Other Matters / Updates from LGPS Scheme Advisory Board (SAB)</p> <p><i>Code of Transparency Data System Engagement</i></p> <p>The LGPS Code of Transparency was launched by SAB in May 2017 and aims to achieve transparency and consistency of reporting in relation to investment management fees. On 28th June SAB launched an early market engagement exercise to explore possible future iterations of the LGPS Code of Transparency data system. The system gives SAB oversight of compliance with the Code and allows funds to generate reports and compare their costs with similar-sized funds. A ‘meet the buyer’ event was held on 10th July 2024 and the early market engagement exercise closed on 6th August 2024. SAB’s request for information notice details the areas it is exploring.</p> <p><i>Cost Management Process</i></p> <p>On 31st July SAB reported that the Government Actuary’s Department (GAD) has completed the 2020 LGPS-specific scheme cost assessment prepared using the assumptions determined by SAB. The scheme costs were assessed at 20.5% of pensionable pay, 1% of pay above the target overall costs. This is within the range where the Board <i>may</i> make recommendations to align costs with the target, but is not obliged to. After discussions, SAB decided not to recommend any changes in its letter to the Minister of State. GAD’s final report is here.</p> <p><i>Government Actuary’s Department Section 13 Report</i></p> <p>On 16th August the Government Actuary’s Department published its report on the 2022 fund valuations, as required by Section 13 of the Public Service Pensions Act 2013. The Fund Actuary will be providing more information relating to this at the next Committee meeting.</p>
1.09	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated certain responsibilities to officers or individuals. Appendix 3 outlines the use of these delegated powers. In summary:</p> <ul style="list-style-type: none"> • Cash-flow forecasting continues to be monitored through the Risk Management Framework (RMF). • Short-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 Mercer’s recommendations for Local and Impact opportunities. Further details can be found in section 1.06 of this report. <p><u>Transition</u></p> <p>At the June 2024 Committee meeting, it was communicated that the Fund would fully redeem its Hedge Fund mandate. Subsequently, officers and Consultants identified additional collateral within the Liability Driven Investment (LDI) mandate, making approximately £100m available for</p>

	<p>reinvestment into income-producing assets to support the Fund’s expected liquidity requirements over the coming of years.</p> <p>Mercer recommended increasing the Fund’s existing investments in the following:</p> <ul style="list-style-type: none"> • JPMorgan UK Infrastructure I – £30m • Capital Dynamics Clean Energy Infrastructure (Clwyd SMA) – £30m • WPP Multi Asset Credit – £40m (totalling £80m) <p>At the time of writing, only the MAC position has been implemented. The additional investment in JPMorgan is expected in October 2024, while Capital Dynamics will proceed in the usual Private Markets manner.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	None.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	Appendix 4 provides the Dashboard and Risk Register which highlights current risks relating to Funding and Investment. The attached Risk Register is the first version reflecting the updated Risk Management Policy agreed at the March Committee.
4.02	Members may recall that the changes to the Policy incorporated a new approach to scoring the impact and likelihood of risks and the key is included in the Governance Update Report risk appendix. The Risk Register is likely to evolve over time as the new approach continues to be embedded.
4.03	<p>Most of the funding and investment risks are on target, with no red risks currently identified. Three risks are currently behind target; however, each is only one step away from meeting its target impact or likelihood. These are:</p> <ul style="list-style-type: none"> • Risk no. 3: Investment targets are not achieved, potentially materially reducing solvency / increasing contributions. • This risk is ongoing in nature, as investment markets are continually evolving. The Fund adopts a long-term investment approach but seeks to mitigate the potential negative impact of short-term volatility by maintaining a diversified asset portfolio, employing an equity protection strategy, and implementing a liability risk management approach. A robust monitoring process is in place, with officers working closely with advisors to regularly review asset and liability risks, including during monthly investment meetings. More frequent monitoring (e.g., daily, or weekly) is conducted as deemed appropriate.

	<ul style="list-style-type: none"> • Risk no. 4: The value of liabilities increases due to market yields or inflation deviating from actuarial assumptions. <ul style="list-style-type: none"> • This risk presents a complex challenge that requires careful monitoring and strategic adjustments. The projected timeline for addressing and minimising the impact of this risk is set for 2025. Efforts are ongoing to closely analyse and manage market dynamics, actuarial assumptions, and employer contributions to ensure the surplus is maintained. • Risk no. 9: The Fund’s Long Term Investment Strategy fails to deliver on its ambitions and objectives as a Responsible Investor. <ul style="list-style-type: none"> • This risk is linked to the Fund’s evolving long-term investment strategy, which includes ongoing steps towards decarbonisation and achieving the Fund’s 2045 net zero ambition. The target date for mitigating this risk is expected to shift as the Fund progresses. The current target date for bringing this risk back on track is earmarked for 2025, allowing the Fund time to further advance its responsible investment ambitions and make demonstrable progress towards its targets, while keeping this risk at the forefront of discussions. <p>Fund officers, Investment Consultants, and the Fund Actuary (Mercer), along with Governance Advisors (Aon), continue to monitor these risks regularly.</p>
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5.00	APPENDICES
5.01	Appendix 1 – 2024/25 Business Plan and Business Plan Dashboard Appendix 2 – WPP JGC Draft Minutes 17 July 2024 Appendix 3 – Delegated Responsibilities Appendix 4 – Risk Dashboard and Register (Investments and Funding)

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>1.02 The full Joint Governance Committee agenda: https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=7634&Ver=4</p> <p>1.08 The Code of Transparency Data System Engagement information notice: https://lgpsboard.org/images/CoT/SAB_CODEOFTRANSPARENCY_REQUEST_FOR_INFORMATION_NOTICE_28062024.pdf</p> <p>1.08 The Scheme Advisory Board’s letter to the Minister of State: https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Jim%20McMahon%20from%20Cllr%20Phillips%20-%20SCA.pdf</p> <p>1.08 The Government Actuary’s Department final Cost Management</p>

	<p>Process report:</p> <p>https://urlsand.esvalabs.com/?u=https%3A%2F%2Figsboard.org%2Fimages%2FCM%2FSCA%25202024%2520final%2520report.pdf&e=6ab4c3f7&h=23df4654&f=y&p=y&l=1</p> <p>1.08 The Government Actuary’s Department Section 13 report:</p> <p>https://www.gov.uk/government/news/review-of-igps-fund-valuations?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=74a7effd-8431-4ff1-8128-e3aa8b2c1759&utm_content=immediately</p> <p>Contact Officer: leuan Hughes, Graduate Investment Officer, Clwyd Pension Fund</p> <p>E-mail: leuan.Hughes@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
7.01	<p>(a) FRMG – Funding & Risk Management Group – 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.</p> <p>(b) IIGCC – Institutional Investors Group on Climate Change – The IIGCC is a European membership body that provides a platform for investors to collaborate on addressing climate change. It offers guidance and resources to help investors align their portfolios with net-zero emissions targets, manage climate-related risks, and support the transition to a low-carbon economy.</p> <p>(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.</p> <p>(d) ISS – Investment Strategy Statement – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) 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.</p> <p>(g) TAAG – Tactical Asset Allocation Group – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and</p>

consultants from Mercer, the Fund Consultant.

- (h) **TCFD – Taskforce on Climate-related Financial Disclosures** – An international body that develops voluntary, consistent disclosure recommendations for companies, investors, and financial institutions to report climate-related financial risks and opportunities. Its framework aims to improve transparency and help stakeholders make informed decisions related to climate impacts on business.
- (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) **TNFD – Taskforce on Nature-related Financial Disclosures** – A global initiative that develops a framework for organisations to report and act on evolving nature-related risks and opportunities, aiming to support a shift in financial flows towards nature-positive outcomes. It focuses on helping businesses and investors assess their impact and dependencies on nature.
- (l) **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/global/individual/investment-glossary/>

Business Plan 2024/25 to 2026/27 – Q1&Q2 Update

Finance, Funding and Investment

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
*	Original item where the period has been moved or task deleted since original business plan

Finance, Funding and Investment 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

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	2024/2025 Q1 & Q2
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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 2024/2025 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	2024/2025 Q2 & Q3
Carry out interim funding review (including data quality)	2024/2025 Q3 & Q4
Results and discussion with employers	2024/2025 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 2024/2025 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	2024/2025 Q1 & Q2
TNFD training for Committee	2024/2025 Q3
Review of Investment Strategy Statement	2024/2025 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 2024/2025 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)	2025/2026 Q2
Individual Employer results (expected)	2025/2026 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 2025/2026. Allowance will be made in the Fund Actuary's estimated budget for 2025/2026 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 2025/2026.

Timescales and Stages

Review of Investment Strategy	2025/2026 Q2 to Q3
Approve Investment Strategy (with employer consultation if required)	2025/2026 Q4
Implementation of any changes	2026/2027

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 2025/2026 (and 2026/2027) in due course.

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WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 17 July 2024

PRESENT: Councillor E. Williams (Chair) (from item 3 onward)

Councillors:

M. Hughes, M. Lewis, P. Lewis, M. Norris, D. Rose 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)

S. Murphy – Joint Committee Monitoring Officer (CCC)

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. Griffiths – Director Finance and Improvement (RCT)

P. Latham – Head of Clwyd Pension Fund (FCC)

A. Bull – Head of Pensions (TCC)

A. Parnell – Treasury & Pensions Investment Manager (CCC)

T. Williams – Senior Financial Services Officer (CCC)

A. Eynon – Simultaneous Translator (CCC)

M. Runeckles – Member Support Officer (CCC)

D. Hall-Jones - Member Support Officer (CCC) [webcaster]

K. Thomas – Democratic Services Officer (CCC)

J. Owens –Democratic Services Officer (CCC) [Note Taker]

Also in attendance to present reports:

J. Blewitt – Audit Wales

A. Johnston – Hymans Robertson

R. Barrack – Hymans Robertson

S. Stephenson – Hymans Robertson

S. Jones – Hymans Robertson

K. Midl – Waystone Management

J. Zealander – Waystone Management

R. Thornton – Waystone Management

A. Murphy– Russell Investments

A. Quinn – Russell Investments

P. Myles – Schroders Capital

T. Creed – Schroders Capital

L. Bailey – Northern Trust

A. Knell – Robeco (item 15 only)

A. Samson – Robeco (item 15 only)

Officers present as observers:

D. Jones-Thomas – Investment Manager (GCC)
K. Cobb – Pension Fund Accounting & Investment Manager (C&CS)
I. Hughes – Investment Officer of Clwyd Pension Fund (FCC)
Y. Keitch – Principal Accountant (RCT)
C. Hurst – Pension Fund Manager (PCC)
G. Watkins – Assistant Director of Financial Services (CoC)
M. Falconer – Pension Manager (CoC)

Also present as observer:

I. Guy – Scheme Member Representative (Reserve)

Virtual Meeting - 10.00 am - 12.53 pm

[NOTE 1: Upon commencement of the meeting, the Host Authority's Director of Resources / S151 Officer welcomed Councillors M. Hughes and D. Rose to their first meeting following their appointment to the Wales Pension Partnership Joint Governance Committee. A warm welcome was also extended to Mr S. Murphy, who had been appointed as the Host Authority's Monitoring Officer following the retirement of his predecessor, Mrs L. Rees-Jones.

NOTE 2: The meeting adjourned at 11:32 for a comfort break and re-commenced at 11:40hrs]

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Chris Weaver.

2. APPOINTMENT OF CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING 12 CALENDAR MONTHS

UNANIMOUSLY RESOLVED that Councillor Elwyn Williams be appointed Chair of the Joint Governance Committee for the forthcoming calendar year.

3. APPOINTMENT OF VICE-CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING 12 CALENDAR MONTHS

UNANIMOUSLY RESOLVED that Councillor Medwyn Hughes be appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.

4. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. M. Lewis	All agenda items	He is a member of Swansea Pension Fund.
Cllr. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. N. Yeowell	All agenda items	He is a member of the Greater Gwent Pension Fund

Cllr. M. Norris	All agenda items	He is a member of the RCT Pension Fund
Cllr. D. Rose	All agenda items	He is a member of the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	He is a member of the Dyfed Pension Fund
Cllr. M. Hughes	All agenda items	He is a member of the Gwynedd 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.]

5. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 13TH MARCH 2024

RESOLVED that the minutes of the Joint Governance Committee meeting held on 13th March 2024 be signed as a correct record.

6. ANNUAL RETURN / AUDIT 2023/24

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The JGC received the Annual Return / Audit 2023/24 with the report being divided into the following sections:

1. Accounting Statements 2023/24 – including a statement of income and expenditure / receipts and payments and a statement of balances.
2. Annual Governance Statement
3. Committee approval and certification
4. Annual Internal Audit report / Internal Audit confirmation

The JGC Noted that Sections 1 & 2 had been completed by the Host Authority in accordance with proper practices as set out in the Practitioners Guide. Section 4 had been completed by the Host Authority's Internal Audit Department with the Annual Return having been audited by Audit Wales.

It was also noted that the Host Authority had also prepared a Statement of Accounts for the Wales Pension Partnership for 2023/24. Whilst the Statement was not a statutory requirement and would not be audited, it had been prepared for information purposes only in order to support the information included in the Annual Report.

UNANIMOUSLY RESOLVED:

- 6.1 To note the 2023/24 Audit Plan.**
- 6.2 To receive the letter from Audit Wales re the WPP 2023/24 Annual return.**
- 6.3 To approve the Audited Annual Return for 2023/24.**

6.4 To note the Unaudited Statement of Accounts for 2023/24.

7. HOST AUTHORITY UPDATE

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes 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.

Reference was made to the value of pooled assets and a suggestion was put forth for percentage figures of the individual funds to be highlighted within the report going forward.

In response to a request, the Host Authority stated that informal briefings of the Joint Committee could be facilitated as and when required in order to discuss relevant matters. In this regard, members of the Joint Committee were asked to put forward suggested topics for consideration in order that appropriate arrangements could be made.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

8. RISK REGISTER Q2 2024 REVIEW

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q2 2024 review. Members were reminded that the purpose of the WPP Risk Register is to:

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

A quarterly review of the register had been undertaken by the Officers Working Group (OWG) which looked at some of the risks within the Governance and Regulation section of the Risk Register. The Joint Committee was appraised of the review outcomes of each of those risks (G.8. – G.18) as summarised within the report.

The next review would take place in Q3 2024 and would focus on the Training and Resources and Communication Risks section.

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

9. ANNUAL POLICY REVIEWS

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received for consideration the following update policies:

- Responsible Investment Policy
- Climate Policy
- Stewardship Policy.

It was noted that the above policies were originally approved by the JGC in September 2019, July 2020 and December 2020 respectively. Whilst all policies were reviewed annually the amendments recommended during this year's review required the Joint Committee's approval.

In addition, the Joint Committee was informed that an annual review had been undertaken in line with the commitments set out in the Responsible Investment and Climate policies and provided an assessment of the progress made by the WPP during the 12 months to 31 March 2024 and the proposed areas for future focus.

A request was made for any proposed policy amendments to be highlighted within future reports for ease of reference.

In respect of the Stewardship Policy, it was commented that the wording in section 4.3 should be reviewed to clarify the powers and responsibilities of the Joint Committee regarding sell decisions and consideration of divestment, with Investment Managers being responsible for implementing those decisions. An assurance was provided from the Hymans representatives that the current wording reflected the intent and ambitions of the Joint Committee and could be further discussed at the workshop that would be held for the Joint Committee in September 2024.

UNANIMOUSLY RESOLVED:

9.1 That the following update policies as detailed in the report be approved:

- **Responsible Investment Policy**
- **Climate Policy**
- **Stewardship Policy**

9.2 To note the Responsible Investment and Climate Risk Annual progress update

10. OPERATOR UPDATE - Q1 2024 REVIEW

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes 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 1, 2024, in relation to the following key areas:

- Market updates;
- Current fund holdings;
- Sub-funds update;
- Corporate update and engagement

The Joint Committee received updates on the following :-

- Market Update
- Business Update
- AUM summary as at 31 March 2024
- Fund changes in relation to the Global Growth Fund
- Market Updates in relation to Russia / Ukraine and the Middle East
- Corporate Update and engagement.

UNANIMOUSLY RESOLVED that the Operator Update be received.

11. PERFORMANCE REPORTS AS AT 31 MARCH 2024

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received a presentation on the Performance Reports as at 31st March, 2024. Members were advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Growth – underperformed by 1.1% gross / 1.6% net

- Global Opportunities – outperformed by 1.0% gross / 0.7% net
- Sustainable Active Equity – underperformed by 3.8 gross / 4.1% net
- Emerging Markets – underperformed by 1.4% gross / 2.0% net
- UK Opportunities – underperformed by 0.1% gross / 0.5% net
- Global Government Bond – outperformed by 1.1% gross / 0.8% net
- Global Credit – benchmark met gross / underperformed by 0.2% net

The Committee noted that the MAC and ARB funds, did not meet their targets and the Sterling Credit Fund exceeded its target.

RESOLVED that the Performance Reports of the following sub-funds as at 31st March 2024 be noted:

- 11.1 Global Opportunities Equity Fund**
- 11.2 Global Growth Equity Fund**
- 11.3 Sustainable Active Equity Fund**
- 10.4 Emerging Markets Equity Fund**
- 11.5 UK Opportunities Equity Fund**
- 11.6 Global Government Bond Fund**
- 11.7 Global Credit Fund**
- 11.8 Multi Asset Credit Fund**
- 11.9 Absolute Return Bond Fund**
- 11.10 Sterling Credit Fund**

12. PRIVATE MARKETS UPDATE - PRIVATE EQUITY

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received a presentation by Schrodgers Capital, the WPP's Private Equity Allocator, on the closed-ended private equity programme that focused on diversified investments across primaries, secondaries, and co-investments in North America, Europe and Asia. A total of £156m had been committed to date with the participating pensions funds investing in the programme being Cardiff & Vale of Glamorgan, Clwyd, Gwynedd, Powys and the City and County of Swansea.

UNANIMOUSLY RESOLVED that the Private Markets Update – Private Equity Update report be received.

13. 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.

14. SECURITIES LENDING PERFORMANCE REVIEW 2023/24

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Governance Committee noted the 2023/2024 Securities Lending Performance Review Report.

UNANIMOUSLY RESOLVED that the 2023/2024 Securities Lending Performance Review report be noted.

15. ROBECO ENGAGEMENT SERVICE - Q1 2024 ENGAGEMENT REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received the Engagement Report for Q1 of 2024 (quarter ending 31 March, 2024).

UNANIMOUSLY RESOLVED that the Engagement Report for Q1 of 2024 be noted.

16. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received the Responsible Investment and Climate Risk reports, for Quarter 1, 2024 (quarter ending 31 March, 2024), in respect of the following funds:-

- Global Growth
- Global Opportunities
- Sustainable Active Equity

The report looked at ESG and climate risk metrics and highlighted any material ESG-related risks and issues, and identified key actions for the WPP to address.

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

17. WPP SUB FUND REVIEW

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee received the outcome of an independent review undertaken on the following WPP's Sub Funds:

- Emerging Market
- Multi Asset Credit
- Absolute Return Bond
- Sterling Credit

UNANIMOUSLY RESOLVED that the report be received.

18. REAL ESTATE ALLOCATOR PROCUREMENT RECOMMENDATION REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors M. Lewis, P. Lewis, N. Yeowell, M. Norris, D. Rose, E Williams and M. Hughes had earlier declared an interest in this item.]

The Joint Committee considered a report on the appointment of Private Real Estate Managers for the Wales Pension Partnership.

UNANIMOUSLY RESOLVED:

- 18.1 To appoint bidder 11 as the preferred bidder for WPP UK Core Real Estate (Lot 1) subject to the completion of the standstill period and finalisation of the Contract.
- 18.2 To appoint bidder 5 as the preferred bidder for WPP International Real Estate (Lot 2) subject to the completion of the

18.3 standstill period and finalisation of the Contract.
To appoint bidder 14 as the preferred bidder for WPP Impact /
Local Real Estate (Lot 3) subject to the completion of the
standstill period and finalisation of the Allocator Contract.

CHAIR

DATE

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.09.01	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

April 2024 Redeem £30m Insight Liquidity Fund
 Proceeds £30m Trustee Cash

June 2024 Redeem £12m Man Hedge Fund
 Proceeds £12m Trustee Cash

Cash Management

Background

Fund officers produce 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. Following its interim strategy review, approved at the March 2024 Committee, the Fund implemented a 5% strategic allocation to Strategic Cash. The conditional range for up to 30% in cash remains in effect.

Action Taken

The Fund's in-house cash balance at 30th June 2024 was £47.6m (£37.1m at 31st March 2024). The increase in cash is a result of the redemptions made during Q1 2024/25. There were several Private Market capital calls the most recent quarter (drawdowns exceeded distributions by c. £10m), 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 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
1.09.02	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 +3%, however, the aim is to add value to the Fund's total investment performance.

Action Taken

Since the previous report to Committee in March 2024 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Partial redemption LGIM Sterling Liquidity Fund – £40.7m (+1.4% crystallised gain)
- Invest £6.5m in LGIM Future World Japanese Equity
- Invest £6.7m in LGIM Future World North American Equity (GBP Hedged)
- Invest £27.5m in NB US Put-Writing Strategy
- Full redemption LGIM Over 5 Year Index-Linked Gilt Fund - £27.0m (+1.8% crystallised gain)
- Invest £27.0m in LGIM Over 15 Year Gilt Fund (Nominal Gilts)
- Full redemption Insight Maturing Buy and Maintain Bonds Funds 2021-2025 £16.4m (+6.9% crystallised gain)
- Invest £16.4m in NB US Put-Writing Strategy
- Full redemption LGIM Sterling Liquidity Fund £15.6m (+1.6% crystallised gain)
- Invest £15.6m in NB US Put-Writing Strategy

The current allocations within the portfolio following the transactions are:

US Equities	(2.5%)
Japanese Equity	(1.9%)
Short Bonds	(1.7%)
Long Dated Bonds	(1.1%)
Emerging Markets Government Bonds	(1.5%)
Put-Writing Strategy	(2.4%)

As at the end of June 2024, the TAA (Best Ideas) portfolio 1 year performance was +7.8% against a target of +6.0% and the 3-year performance was +5.4% against a target of +7.1%.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.09.03	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.

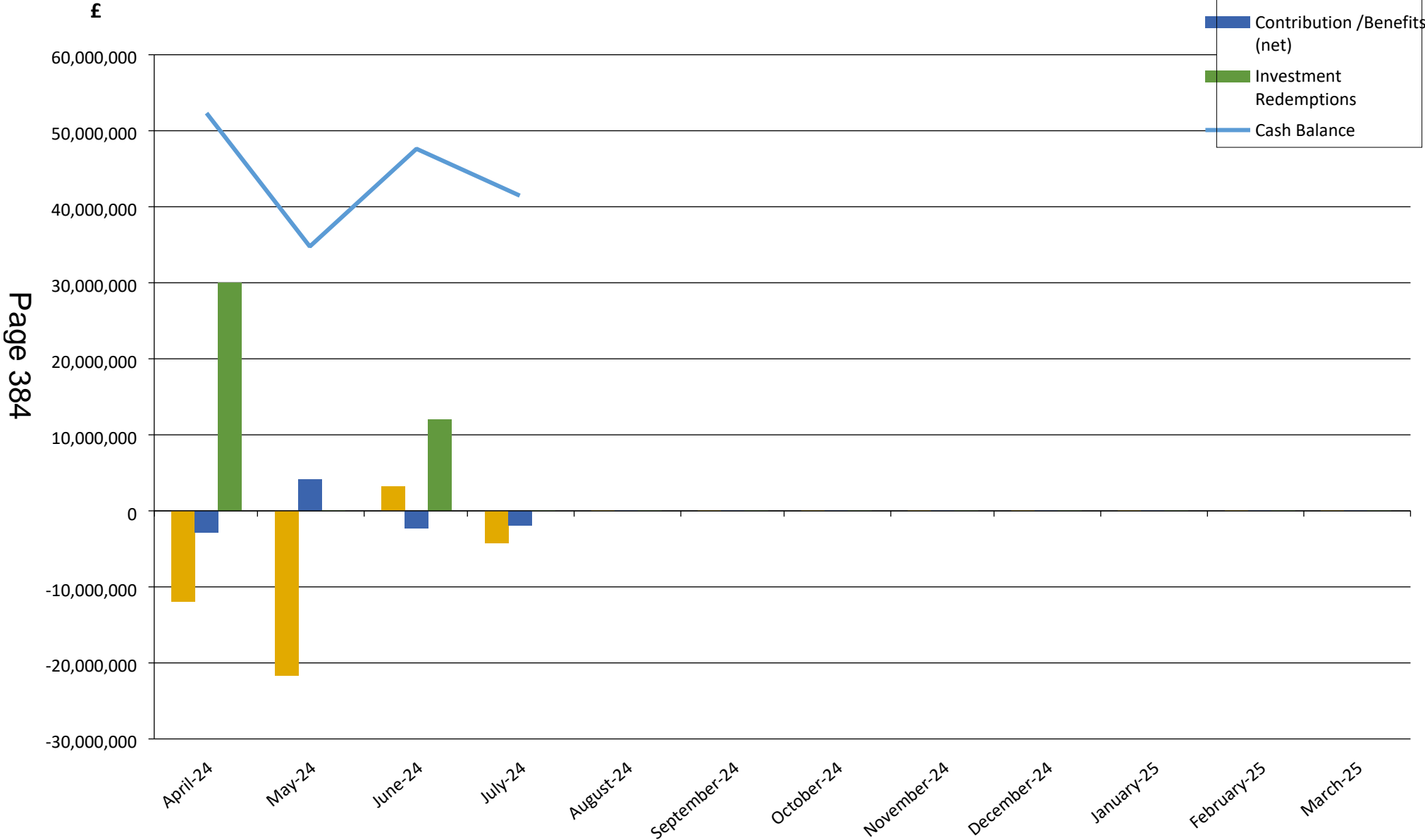
Action Taken

Due diligence continues to be undertaken by Mercer on several managers across the various asset classes, and recommendations are being considered for the Fund's Impact/Local allocation. Two new commitments have been agreed since the March 2024 Committee meeting and is detailed below and is referenced in **1.06** within the main report.

Impact / Local Octopus, Affordable Housing Fund - £10m commitment

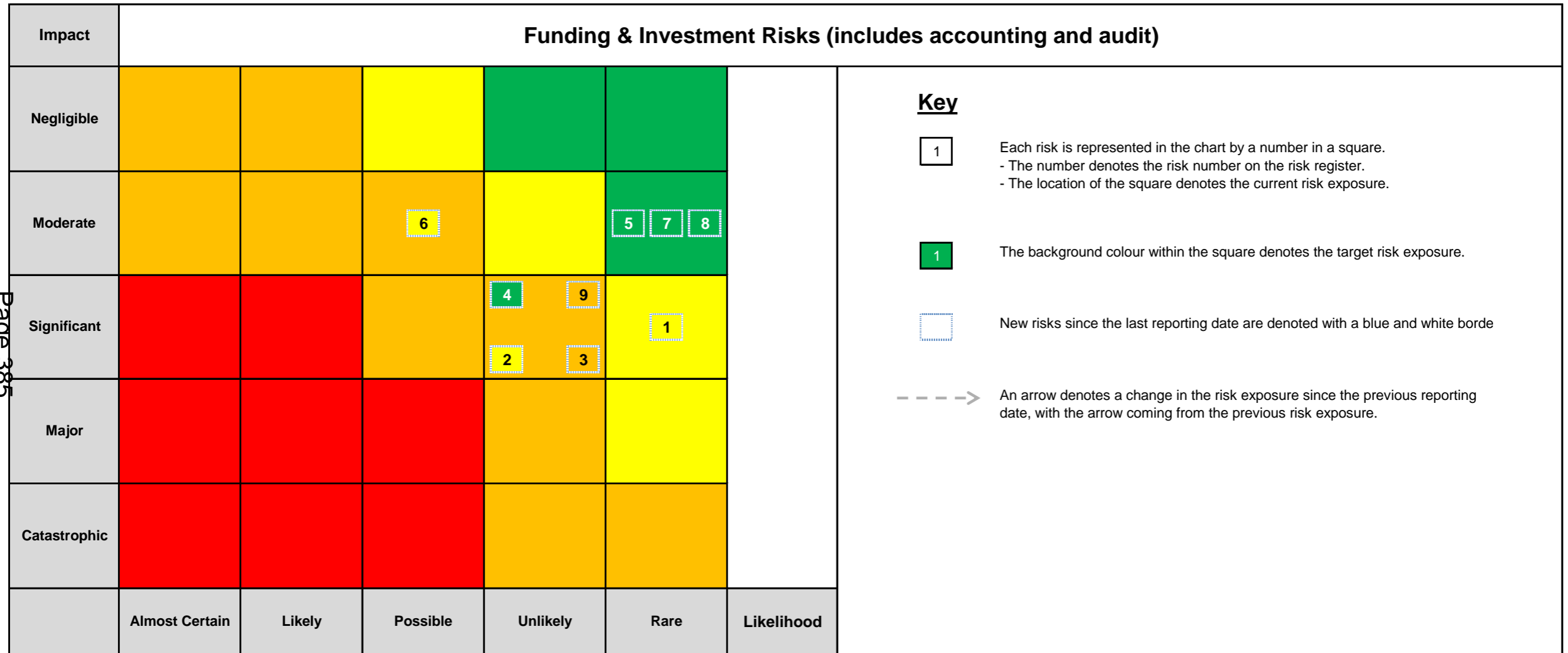
Private Debt LGT Capital, Crown Impact Private Debt Fund - €12m (£10m)

Clwyd Pension Fund - Cash-flow 2023/24



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

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Clwyd Pension Fund - Control Risk Register
Funding & Investment Risks (includes accounting and audit)

Objectives can be found within a separate summary

Risk no.	Risk Event (this [event] could happen)	Risk cause (...due to [cause]...)	Risk Impact (...which may result in the following [impact] to our objectives)	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	- Market yields/inflation moving out of line from actuarial assumptions, - Adverse employer experience, - Change in employer circumstances	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Significant	Rare		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	Significant	Rare		😊			1 - Will be considered again as part of the interim funding review (PL)	Phil Latham	02/10/2024	02/09/2024
2	Funding level reduces,	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.	Increasing deficit / reducing surplus increasing contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Significant	Unlikely		See points within points 3,4 and 5	Moderate	Unlikely		😐 Current impact 1 too high	02/09/2024	Mar 2025	1 - Will be considered again as part of the interim funding review (PL) 2 - In conjunction with Risks 3, 4 and 5 – overall market conditions are monitored continuously (PL) 3 - See points within points 3, 4 and 5 (PL)	Phil Latham	02/10/2024	02/09/2024
3	Investment targets are not achieved	- Markets perform below actuarial - 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	Materially reducing solvency / increasing contributions	F1 / F2 / F3 / F4 / F7	Significant	Unlikely		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 10 - Officers receive regular investment training, attend external conferences to gain wider knowledge, engage with consultants on a frequent basis to maintain knowledge on current market conditions	Significant	Unlikely		😊			1 - Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP (PL) 2 - Ongoing knowledge retention and training. (PL) 3 - Incorporate maintenance of local knowledge in the new officer structure (PL) 4 - Investment targets will be considered as part of the interim funding review and 2025 valuation (PL)	Phil Latham	02/10/2024	02/09/2024
4	Value of liabilities increase due to market yields/inflation	- Market factors impact on inflation - Market factors impact on interest rates	Increasing deficit / reducing surplus increasing contribution requirements in particular	F1 / F2 / F4 / F5 / F7	Significant	Unlikely		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	Moderate	Rare		😐 Current impact 1 too high Current likelihood 1 too high	02/09/2024	Mar 2025	1 - Will be considered again as part of the interim funding review (PL) 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously (PL)	Phil Latham	02/10/2024	02/09/2024
5	Value of liabilities/contributions change due to demographics	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	Increasing deficit / reducing surplus increasing contribution requirements in particular	F1 / F2 / F5 / F7	Moderate	Rare		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	Moderate	Rare		😊			1 - Consider trend evidence as part of 2024 interim review (PL) 2 - Consider fully at each triennial Actuarial Valuation (PL)	Phil Latham	02/10/2024	02/09/2024
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), and other funding and investment related requirements	Increasing deficit / reducing surplus increasing contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F6 / F7/I1	Moderate	Possible		1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5 - Potential legislative agenda for ambitious net zero is an ongoing point of focus 6 - Continue with the monitoring of Waystone via the Host Authority in terms of performance 7 - Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Moderate	Unlikely		😐 Current likelihood 1 too high	02/09/2024	Mar 2025	1 - Consider at the next Investment Strategy Review (PL) 2 - Objectives will be also considered as part of 2024 interim funding review (PL)	Phil Latham	02/10/2024	02/09/2024
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - 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.	Longer term this will likely become a problem and would result in unanticipated investment costs	F1 / F6	Moderate	Rare		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 - Employers have been informed to notify Fund of any significant restructuring exercises 5 - Monitor cashflow requirements (including Private Market commitments) to ensure that they have enough liquid assets to pay the benefits when needed 6 - 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) 7 - Cash management policy has been implemented to monitor and manage cashflow issues	Negligible	Rare		😐 Current impact 1 too high	02/09/2024	Mar 2025	1 - Possible future employer contributions and benefit payments will be considered in the 2024 interim funding review (PL)	Phil Latham	02/10/2024	02/09/2024
8	Loss of employer income	Employer ceasing to exist with insufficient funding (bond or guarantee)	Employer and/or other employers become liable for their deficits	F5 / F7	Moderate	Rare		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	Moderate	Rare		😊			1 - Ongoing monitoring and consideration as part of covenant review in the run up to the 2025 valuation (PL)	Phil Latham	02/10/2024	02/09/2024
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor	- Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy - WPP does not provide CPF with the tools to enable implementation of RI policies	The Investment Strategy is not sustainable and does not address all areas of being a Responsible Investor	F1, F4, F8, I1, I2, I3	Significant	Unlikely		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	Significant	Unlikely		😊			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 (PL) 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP (PL) 3 - Incorporate TNFD requirements into strategy and review ISS as per business plan (PL)	Phil Latham	02/10/2024	02/09/2024

Clwyd Pension Fund - Control Risk Register

Objectives for Funding & Investment Risks (includes accounting and audit) risks

Policy/Strategy	Reference	Objective
Funding Strategy Statement	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
Investment Strategy Statement	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 long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.
	I3	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

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CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday 11 September 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 30 June 2024 are attached as appendices.

Economy and Markets

- Inflation rates softened over Q2 2024, leading to a shift towards monetary policy easing in most developed market economies. The European Central Bank (ECB) cut interest rates in June, while the US Federal Reserve (Fed) is expected to reduce interest rates by the end of the year. Headline inflation in the UK fell to 2.0% at the end of June allowing the Bank of England (BoE) Monetary Policy Committee (MPC) to reduce interest rates by 25 bps to 5%.
- Equity markets continued to rally during the second quarter of 2024, whilst UK Gilts fell in value as yields rose.

Performance Monitoring Report

- The Fund's total market value decreased by £14.8m to £2,460.5m over the three-month period, allowing for net cash outflows of £12.2m.
- Fund absolute performance over 3 months, 12 months, 3 years and 5 years; -0.1%, +9.5%, +3.0% p.a. and +5.5% p.a., respectively.

Funding and Risk Management

As of 30 June 2024:

- 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 is c. £193m.
- The hedging collateral is in a healthy position, with the current level of collateral more prudent than that required by the Pensions Regulator. The yield trigger framework is currently suspended.
- Overall, the Fund's currency hedge is performing as expected as a risk-mitigation and diversification strategy.

RECOMMENDATIONS

1	That the Committee note the report and the various actions taken in relation to the funding and risk management framework.
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REPORT DETAILS

1.00	INVESTMENT PERFORMANCE AND ECONOMIC RELATED MATTERS
1.01	<p>Economic and Market Update</p> <p>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:</p> <ul style="list-style-type: none"> • 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	<p>The second quarter of 2024 witnessed a softening of inflation rates in most developed market economies, bringing them closer to central banks' targets. This created a favorable environment for a shift towards monetary policy easing. In June, the ECB cut interest rates, while the US Fed is expected to cut rates by the end of the year.</p> <p>Equity markets, except for Japanese equities, continued to rise, with emerging market equities outperforming developed markets. Political volatility remained high, with snap elections in the UK and France.</p> <p>During the quarter gilt yields rose, meaning the value of gilts fell, however post quarter end, the BoE cut interest to 5%, which led to gilt yields falling / prices rising.</p> <p>Equity markets, except for Japanese equities, continued to rally, with emerging market equities outperforming developed markets. Political volatility remained high, with snap elections in the UK and France.</p> <p>Further information on the CRMF mandate is provided in 1.07 below.</p>
1.03	<p>Performance monitoring report</p> <p>Over the three months to 30 June 2024, the Fund’s total market value decreased marginally by £14.8m to £2,460.5m, after allowing for net cash outflows of £12.2m.</p> <p>Movement over the 12-month period saw positive performance from all asset classes, with the exception of property.</p>

Total Fund performance against its benchmark is shown below:

Total	Quarter (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Total Fund	-0.1	+9.5	+3.0	+5.5
Total Benchmark	+1.6	+13.1	+4.4	+6.4

A full performance breakdown of each of the underlying mandates is provided in Appendix 2.

1.04

Performance Commentary

The Fund's 1-year performance was lower than the benchmark. The allocation to the WPP Sustainable Active Equity Fund ("WPP SAE") was a large detractor from performance as it returned +14.0% against a target of +22.4% over the 1-year period.

The Fund has underperformed partly as a result of being underweight notable large-cap stocks such as Nvidia, Meta, Alphabet and Google but also in-line with the experience of sustainability-oriented strategies.

The Fund's private market holdings also underperformed over the 12-month period to 30 June 2024. This relative performance was driven by weak returns from Property and flat returns from the Fund's local/impact allocation. These assets are benchmarked against an absolute return benchmark and a market reference rate with an excess spread target (e.g. SONIA +5.0% p.a.) for performance measurement. Therefore, the performance will appear further weakened against these types of benchmarks during this period. It should also be noted that over the last three years the Fund's local/impact investments have returned c.16% p.a., so there is no undue concern from a short period of flat performance. New private market investments are being made through the WPP pool where possible, whilst Local/Impact investments are being made outside the pool given the pool is not set up to make such investments at this moment in time.

The Fund's Tactical Asset Allocation portfolio continues to provide strong returns, returning +7.8% over 12-month period to 30 June 2024, outperforming its benchmark (+5.9%).

1.05

Performance Highlights

The strongest absolute returns over the quarter came from WPP Private Equity (+12.2%) and WPP Multi Asset Credit (+1.3%) allocations.

Over the 12-month period, WPP Sustainable Active Equity Fund and WPP Infrastructure assets generated the strongest absolute returns, returning +14.0% and +16.9%, respectively.

Over the same period, the Risk Management Framework ("RMF") also generated strong returns of +17.9%. The RMF is made up of several components including liability driven investment, equity protection and

	<p>synthetic equity. The main purpose of this portfolio to provide stability to the Fund's funding level, hedging off a percentage of the Fund's liabilities to counteract any movement in interest rates and expected inflation.</p>
1.06	<p>Asset Allocation</p> <p>All portfolio allocations are within the agreed strategic tolerance with the exception of the Local/Impact allocation, which is marginally underweight. These tolerances are being addressed as part of ongoing commitments and transitions.</p> <p>The Strategic Cash and Liquidity ("SCL") allocation was close to its upper benchmark range at the end of June 2024. At the end of Q2 2024, the Fund was transitioning £25m from the SCL into the WPP Sustainable Active Equity Fund to rebalance the mandate closer to its 15% strategic allocation. This transaction was settled post quarter end. Additionally, the SCL is being utilised to support the Fund's ongoing liquidity needs and will fluctuate according to upcoming capital market drawdowns, as well as regular member benefit payments. Furthermore, additional commitments are planned to top up other areas of the portfolio to support the Fund's liquidity needs (increase allocation to income producing assets). When these investments take place the SCL is expected to move further towards its 5% strategic target. Officers and advisors acknowledge that there will be fluctuations within the SCL due to the nature of its positioning and objective in supporting the Fund's ongoing cashflow requirements. The position is being kept under regular review.</p>
1.07	<p>Update on Funding and the Flightpath Framework</p> <p>The monthly summary report as at 30 June 2024 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 3.</p>
1.08	<p>The estimated funding level was 108% at 30 June 2024, 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.</p> <p>As a reminder, the funding level trigger of 110% was breached at the end of February 2024 and prompted de-risking activity as agreed at the March 2024 Committee meeting. Equity exposure was reduced to be broadly equal to 35% of total Fund assets in late March. The FRMG and Committee will consider if a new funding level trigger should be adopted. The funding level continues to be monitored approximately by Mercer on a daily basis.</p>
1.09	<p>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. Historically, liability hedging was implemented via a trigger framework, allowing the Fund to lock-in to real yields opportunistically. Given consideration of wider Fund liquidity and collateral requirements, the trigger framework is currently suspended.</p>

	<p>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). 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.</p>
1.10	<p>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 31 March 2024, meaning it is operating in line within the tolerances monitored by Mercer.</p>
1.11	<p>Update on Risk Management Framework</p> <p>Synthetic equity and equity protection strategy</p> <p>Within the Risk Management Framework, the Fund gains exposure to equity markets via derivatives and protects 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.</p> <p>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.</p> <p>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 mandate. The TRS contract is for a fixed term of 3 years up to May 2027, having been rolled over in May 2024 with no changes to the equity protection strategy.</p> <p>As at 30 June 2024, the total performance since inception of the custom TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £193.0m.</p>
1.12	<p>Currency hedging update</p> <p>Overall, the action to hedge the Fund’s developed equity currency risk has resulted in a loss of £24.4m 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.</p>

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	<p>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.</p> <p>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.</p>
4.02	<p>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):</p> <ul style="list-style-type: none"> Funding and Investment risks: F1 - F6, F8, I1 – I3
4.03	<p>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.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Economic and Market Update – 30 June 2024 Appendix 2 – Performance Monitoring Report – 30 June 2024 Appendix 3 – Monthly Monitoring Report – 30 June 2024</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> 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	<p>A list of commonly used terms are as follows:</p> <p>(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.</p> <p>(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.</p> <p>(c) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(d) Annualised – Figures expressed as applying to 1 year.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(h) FSS – Funding Strategy Statement – the main document that outlines how we will manage employer's contributions to the Fund</p> <p>(i) ISS – Investment Strategy Statement The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>(j) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(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.</p>

- (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/global/individual/investment-glossary/>.

Clwyd Pension Fund Economic and Market Update Q2 2024

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MARKET BACKGROUND Q2 2024

The second quarter of 2024 saw inflation rates largely soften towards central banks' targets for most developed market ("DM") economies. This set the stage for a shift towards monetary policy easing. The European Central Bank ("ECB") cut interest rates in June. Cooling inflation and a gradual loosening of the labor markets in the US prompted markets to price in two cuts by the US Federal Reserve ("Fed") by the end of 2024. The timing of potential rate cuts by the Bank of England ("BoE") was pushed to August despite waning price pressures, as service inflation remains elevated. Despite this, bond yields rose over the quarter as inflation data came in above market expectations in Q1 and April, especially in the US. Equity markets, barring Japanese equities, continued to rally, with emerging market equities outperforming developed markets. Political volatility remained high with a snap election called in the UK & France while the first TV debate of the US election campaign took place in June.

The final estimate of US GDP for Q1 2024 has been revised higher to 1.4% (quarter-on-quarter annualized), however, lower than the growth of 3.4% seen in Q4 2023. The increase in Q1 primarily reflected increases in consumer spending, housing investment and business investment. These were partly offset by a decrease in inventory investment. Headline US inflation fell over Q2 2024, decreasing to 3.3% in May from 3.5% at the end of March. Core US inflation has been declining in recent months. The Federal Reserve, at its June meeting, decided to maintain policy rates at 5.50% but revised their outlook for rate cuts to just one in 2024.

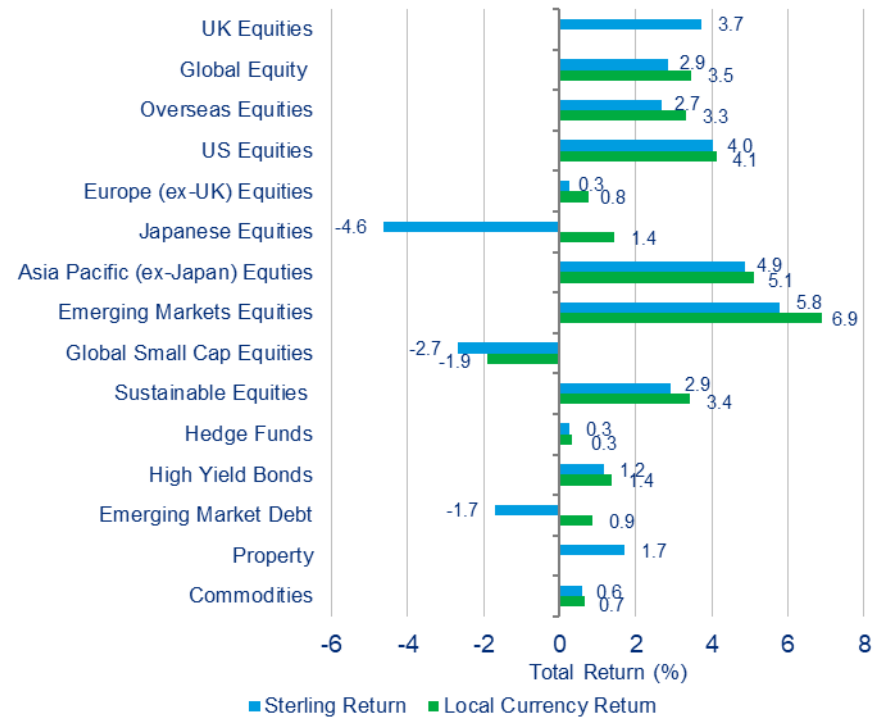
Chinese GDP grew 5.3% (year-on-year) in Q1 2024, higher than 5.2% in Q4 2023, boosted by strong growth in high-tech manufacturing. The economy continues to be challenged by a property crisis and subdued business and consumer activity. Policymakers are providing more support for the property sector and recent business surveys are beginning to point towards a broadening out of stronger economic activity. The People's Bank of China (PBoC) kept the one-year rates unchanged at 3.45%.

Q1 GDP in Japan declined 2.9% (quarter-on-quarter annualized), down from an earlier estimate of a 1.8% contraction. This contraction was largely due to a safety scandal at a large automaker which led to a factory shut down.

In the first quarter of 2024, seasonally adjusted GDP increased by 0.3% (quarter-on-quarter) in the eurozone. Spain showed the strongest growth with 0.7% (quarter-on-quarter), while Germany, France, and Italy were around the eurozone average. The ECB reduced interest rates by 0.25% following their June meeting to 4.25% for main refinancing operations, 4.50% for the marginal lending facility, and 3.75% for the deposit facility. Headline inflation in the eurozone rose to 2.5% in June from 2.4% in March.

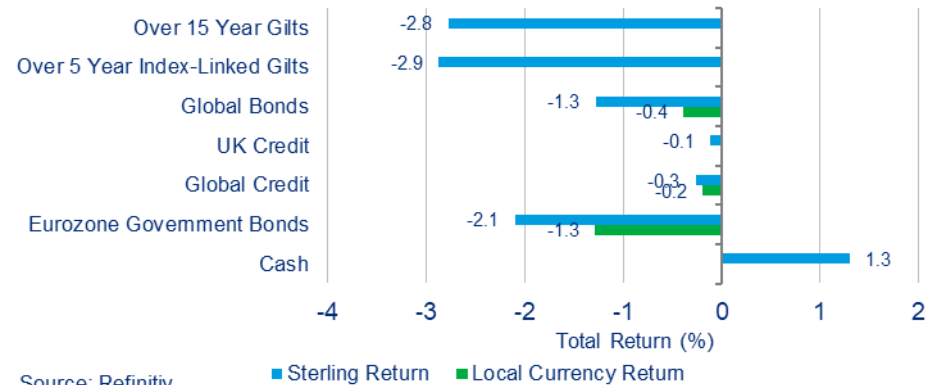
UK GDP grew by 0.7% in Q1 (quarter-on-quarter), recovering from a decline of 0.3% and 0.1% in the previous two quarters. Headline inflation in the UK fell to 2.0% in May from 3.2% in March. This was led by a slowdown in the cost of food. However, core inflation remains elevated at 3.5%. The Bank of England maintained interest rates at 5.25%.

Growth Assets- Index performance



Source: Refinitiv

Defensive Assets- Index Performance



Source: Refinitiv

Equity Market Review

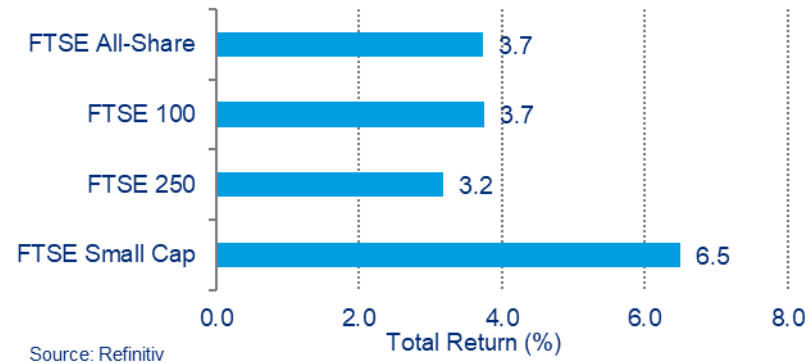
Global equities returned 2.9% in sterling terms and 3.5% in local currency terms while sterling ended broadly flat against the US dollar.

Q2 2024 has been another positive quarter for equity markets. Equity markets, especially in the developed market, are continuing to be narrowly led; with a small number of stocks driving the returns. Corporate earnings have remained resilient while subsiding inflationary pressures has created a more positive macroeconomic environment for equities.

Within equities, emerging markets (“EM”) outperformed DM. Chinese and Latin American equities exhibited lackluster performance as investors digested economic data. However Asian equities outperformed helped by Taiwan’s exposure to AI related names. India recovered after the surprise election results. Emerging markets equities returned 5.8% in sterling terms (6.9% local currency). US equities returned 4.0% in sterling terms, compared to 4.1% in local currency terms, whilst European (ex-UK) equities returned 0.3% in sterling terms and 0.8% in local terms. Japanese equities returned -4.6% in sterling terms and 1.4% in local currency terms. The Bank of Japan’s (“BoJ”) interest rate policy continues to weigh on the Japanese currency.

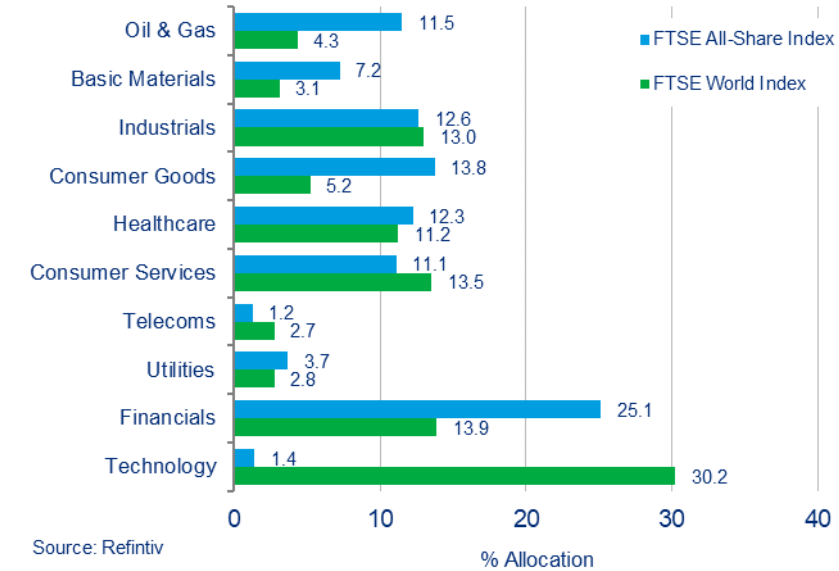
Global small-cap stocks returned -2.7% in sterling terms (-1.9% in local currency). Small-cap stocks suffered from confirmation of the higher-for-longer interest rate environment.

Percentage Performance by Market Cap – Q2 2024

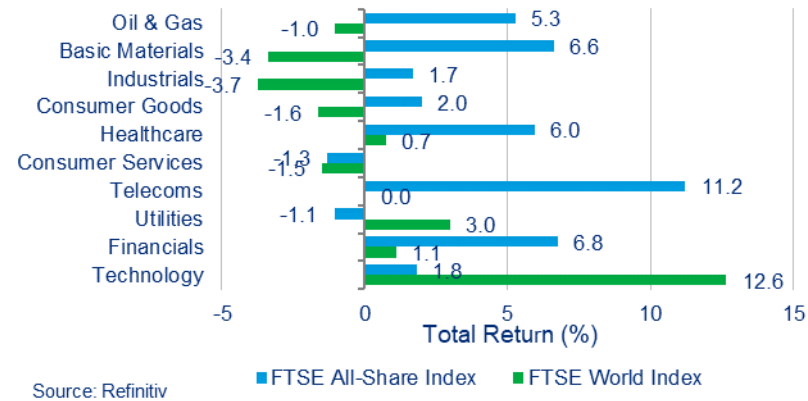


The FTSE All Share index returned 3.7% over the quarter, with the large-cap FTSE 100 index returning 3.7%. More domestically focused equities (FTSE 250) produced positive returns too. The small-cap index produced a positive 6.5% return. Strong performance in telecom and financials supported the UK performance relative to global equities.

Industry Tier Allocation at 30 June 2024

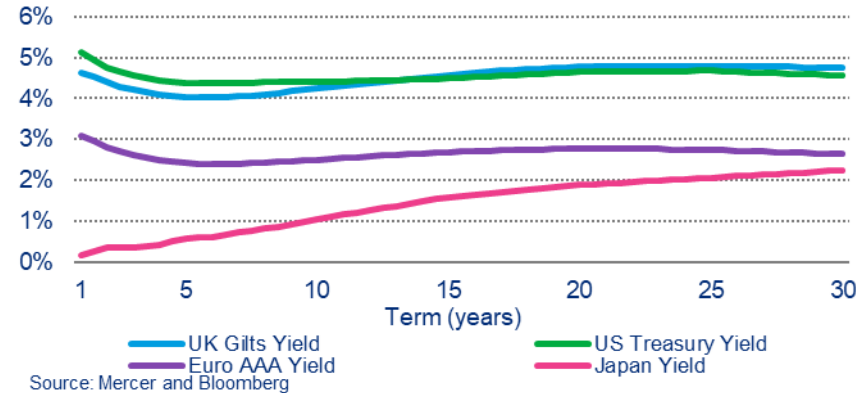


Percentage performance by Industry Tier- Three months to 30 June 2024



Bond Market Review

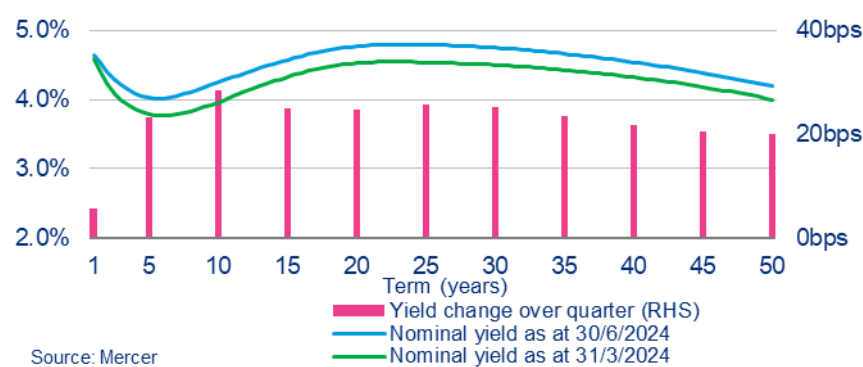
Government Bond Yield Curves



Source: Mercer and Bloomberg

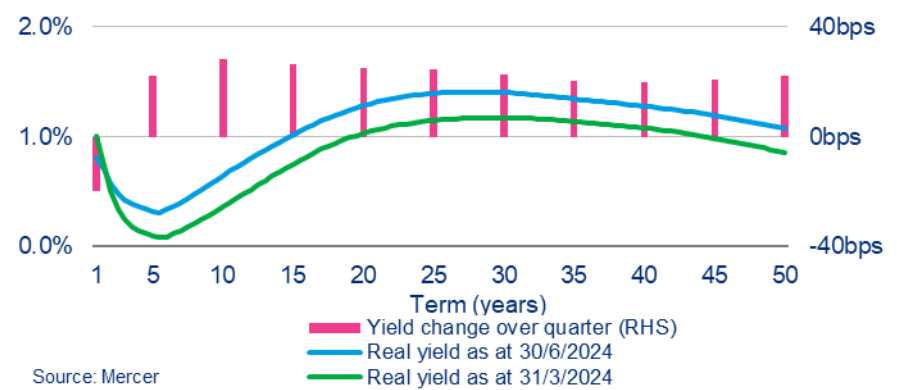
Global government bond yields on the 10-year tenor rose over the quarter (bond yields and prices move in opposite directions). The sell-off in bonds can be attributed to prospects of delayed rate cuts. In the US, softening inflation and growth, led to bond markets to price in two rate cuts in 2024. In Europe, although the ECB cut interest rates, the subsequent press conference lacked concrete forward guidance, leading markets to perceive the move as hawkish. Meanwhile, easing UK Inflation has set the stage for a BoE rate cut in August. The 10-year benchmark bond yield in the US, UK, and Germany rose 0.20%, 0.24%, and 0.20%, respectively. Meanwhile, the yield curve across these regions continued to be inverted. 10-year bond yields in Japan also moved past 1.0% on increasing expectations of further policy tightening by the BoJ.

Changes in the UK Bond Yield Curve over the Quarter



Source: Mercer

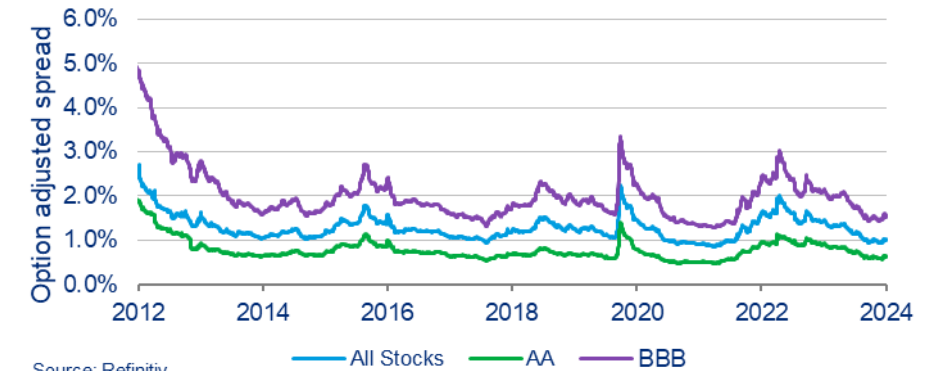
Changes in the UK Index-Linked Gilt Yield Curve over the Quarter



Source: Mercer

UK real yields rose across most of the curve over the last quarter, with the 10-year tenor increasing 0.28%. There remain concerns that stubborn services inflation and still-healthy wage growth may keep core inflation elevated. UK 10-year breakeven rates finished the quarter at ~3.59% (0.06% lower over the quarter). Despite this, the BoE is widely expected to commence with a rate cut in August.

ICE BofAML Sterling Non-Gilts Indices Credit Spreads

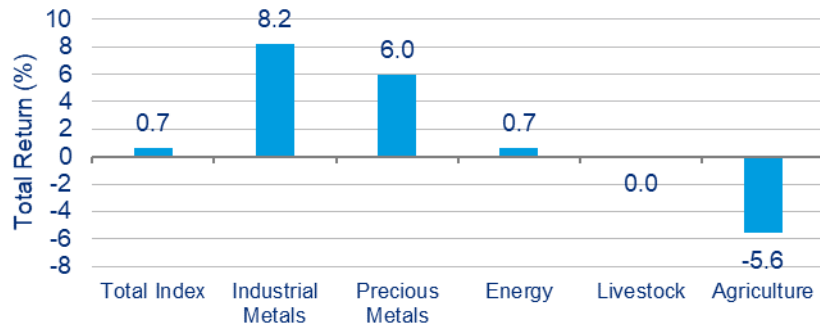


Source: Refinitiv

Spreads on UK investment-grade credit widened marginally over the quarter, with spreads on lower-rated credit widening more (0.04%) than for higher-rated credit (0.02%).

Commodities

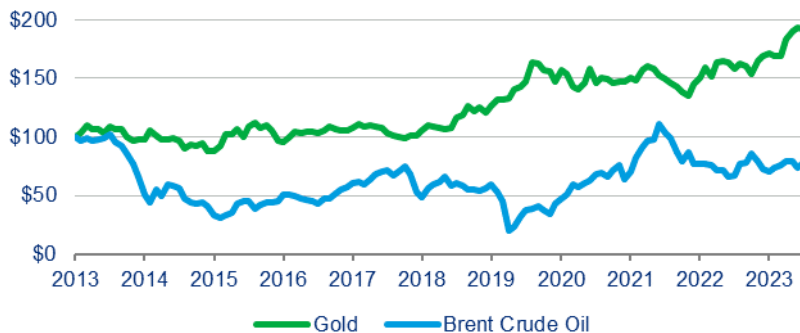
S&P GSCI Index in US Dollars - Commodities Q2 2024 Sector Performance



Source: Refinitiv

Commodity prices marginally increased over the quarter. Higher prices in industrial metals and precious metals offset the price falls in other components of the index. Economic activity around the world is expected to pick up as DM central banks cut interest rates, which is boosting the price of commodities. Furthermore, as real yields decline, the price of precious metals, such as gold, tend to perform strongly. Within energy, the Organization of Petroleum Exporting Countries and its allies (OPEC+) stuck to its forecast for relatively strong growth in global oil demand in 2024. Summer fuel demand is also supporting crude oil prices as global travel remains robust. Agriculture prices declined over the quarter as cocoa prices pulled back. They remain volatile following the sharp move higher earlier in the year.

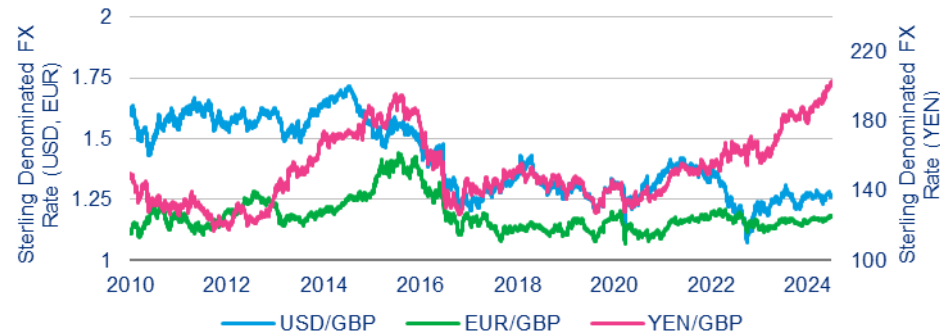
Change in US Dollar Price to 30 June 2024 - Gold and Brent Crude Oil - Rebased to \$100 on 31 December 2013



Source: Refinitiv

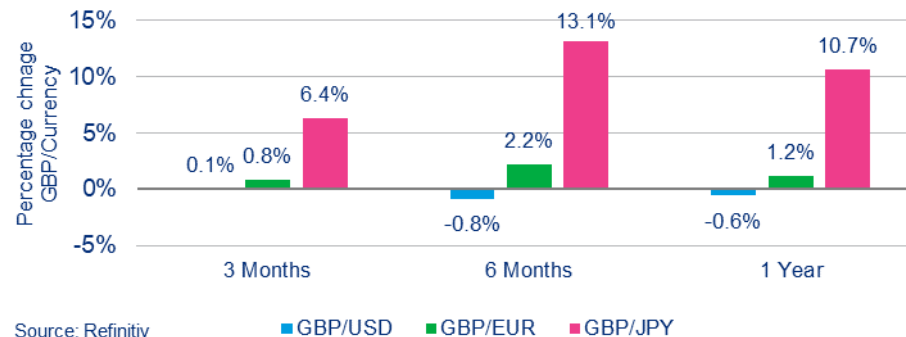
Currency Market Review

Sterling Denominated FX Rates



Source: Refinitiv

Change in Sterling against Foreign Currencies



Source: Refinitiv

Sterling was broadly unchanged versus US dollar over the quarter, while it appreciated 0.8% and 6.4% against the euro and the yen, respectively. The US dollar index rose a little over 1.0% in the quarter, supported by incoming macro data. On a 12-month basis, sterling significantly outperformed against the yen and marginally versus the euro, while weakening 0.6% against the US dollar.

Other Assets

UK property as measured by the MSCI Index increased by 1.7% over the second quarter of 2024.

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This appendix was written on 16 July 2024.

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Please see the following link for information on indexes: <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gi-2020-investment-management-index-definitions-mercer.pdf>

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Steve Turner

September 2024



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Please also note:

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

Steve Turner







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	Overview	1
	Strategy Monitoring	7
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	Appendix	15

Overview



Executive Dashboard

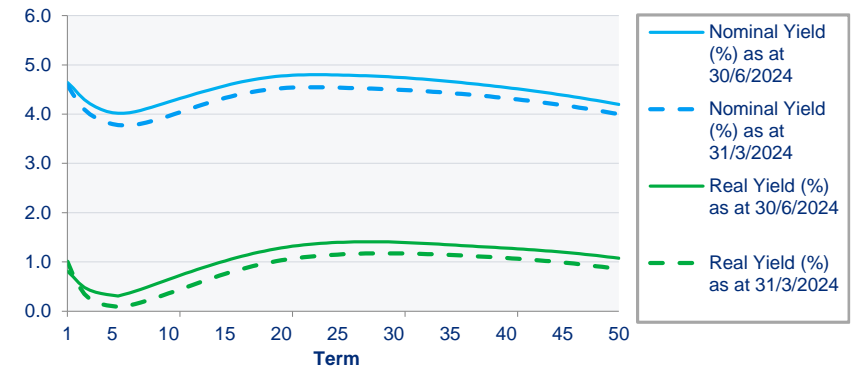
Page 8	Asset Allocation		Page 9	Investment Performance	
<p>Assets are predominately in line with their strategic target weights. Risk Management Framework and Local/Impact are the most underweight (-3.7% and -2.1% respectively). The actual overall exposure to equities is closer to the target position when allowing for synthetic equities.</p>		<p>Signal Previous Qtr  Current Qtr </p>	<p>The Fund returned -0.1% over the quarter against a benchmark of 1.6%. Over the one year, three year and five year periods to 30 June 2024, the Fund returned 9.5%, 3.0% p.a. and 5.5% p.a. against a benchmark of 13.1%, 4.4% p.a. and 6.4% p.a., respectively. The WPP Sustainable Active Equity Fund was a key contributor to the underperformance, underperforming its benchmark over the 3 month and 1 year period by 2.5% and 8.4%, respectively. See page 10 and 14 for more detail.</p>		<p>Signal Previous Qtr  Current Qtr </p>
<p>Asset Allocation vs Ranges Local/Impact is marginally outside the strategic target range.</p>			<p>Performance vs Target The one, three and five year performances are behind the benchmark performance.</p>		
Page 15	Manager Research		Additional Comments		
<p>No significant news to report over the quarter.</p>		<p>Signal Previous Qtr  Current Qtr </p>	<p>Over the quarter, the Fund received £37m from the MAN Group Hedge Fund allocation as part of the termination process. The proceeds were used to support liquidity needs and to top up the WPP Sustainable Active Equity Fund post quarter end. The final proceeds of the termination are expected to be received in August 2024.</p> <p>In addition, the allocation to Strategic Cash and Liquidity is being reviewed.</p>		

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Market Conditions

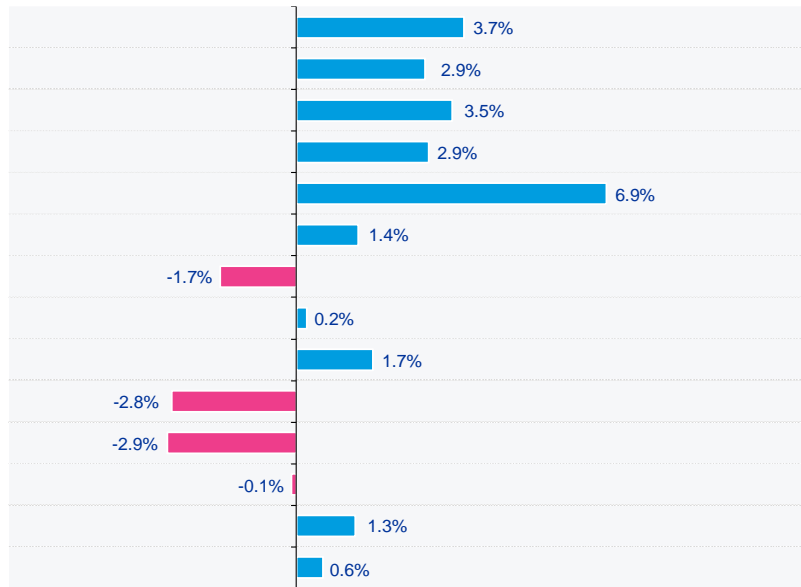
Yield / Spread	Values at (%)		Change (%)		
	30/06/2024	31/03/2024	3M	12M	3Y
Over 5 Year Index-Linked Gilts Yield	1.16	0.92	0.24	0.32	3.39
Over 15 Year Fixed Interest Gilts Yield	4.57	4.34	0.22	0.20	3.35
Over 10 Year Non-Gilts Yield	5.60	5.30	0.28	-0.34	3.36
Over 10 Year Non-Gilts Spread	1.10	1.05	0.05	-0.32	-0.01

Exchange Rates	£1 is worth		Appreciation (%)		
	30/06/2024	31/03/2024	3M	12M	3Y
US Dollar (\$)	1.264	1.263	0.07	-0.57	-2.92
Euro (€)	1.179	1.170	0.84	1.21	0.41
100 Japanese Yen (¥)	2.033	1.912	6.36	10.64	9.87

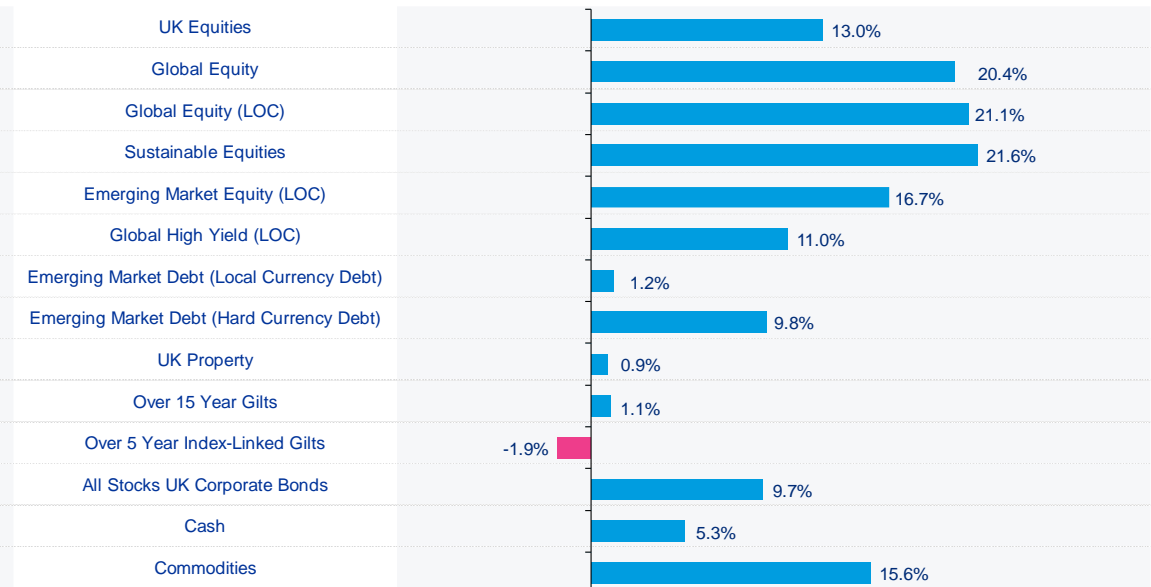


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3 months to 30/06/2024



12 months to 30/06/2024



Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

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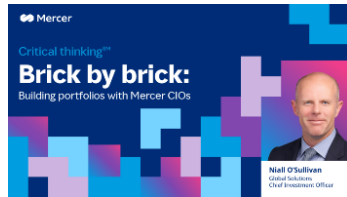
[Single-family offices 2024 outlook](#)

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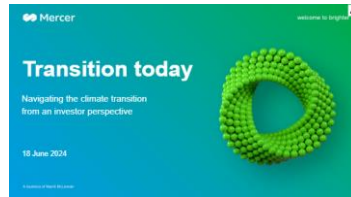
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Dynamic Asset Allocation - Q3 2024

UK Economic Outlook

UK equities had a strong quarter as the FTSE 100 outperformed global equities (in GBP terms). Global markets were buoyed by the continued moderation in inflation, a resilient economy and positive momentum in corporate earnings. Growth outperformed value by a wide margin while small caps underperformed. Despite falling into a technical recession at the end of last year, the UK economy rebounded strongly in the first quarter of 2024 with real GDP rising 0.7% quarter-on-quarter.¹ This was driven by growth in real disposable income for households as headline inflation hit the central bank's 2% target. That being said, April GDP numbers were a little more disappointing as growth was unchanged on a month-on-month basis.

¹ Office of National Statistics, quarter on quarter growth

Dynamic Asset Allocation (DAA) Positioning

Equities

In terms of UK equities, valuations are attractive, however, we believe they are attractive for a good reason and given 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. Economic growth has proven to be more resilient in EM. Policy stimulus in China coupled with ex-China EM central banks easing policy should bolster real household income and boost consumption growth, in turn supporting corporate earnings growth. We expect EM earnings to outpace developed market counterparts over the coming years. We are neutral on small cap equities. With lower pricing power and a lower portion of profitable corporates, small cap equities are more susceptible to a higher-for-longer case, thereby seeing steeper negative earnings revisions. As such, we view the pessimistic sentiment and cheap valuations in small cap equities as justified.

Growth Fixed Income

We retain a favorable view on Emerging Market Debt (EMD) Local Currency (LC) from a tactical perspective. We view it as attractive, expecting yields to decline further as central banks continue a gentle rate cutting cycle. Furthermore, we expect EM currencies to strengthen as central banks cut rate to support growth with inflation back towards target. We are underweight Global High Yield to fund other positions within growth fixed income. Delinquencies from consumer and corporate bankruptcies have been picking up, although from very low levels. As monetary policy conditions remain tight in the developed world it could weigh on corporate balance sheets, especially for companies that are highly levered.

Defensive Fixed Income

From a positioning standpoint, we retain our overweight position in UK gilts. Valuations remain attractive as Gilts sold off more than other developed market government bonds. Bond prices should rise as the Bank of England embarks on an easing cycle while growth remains weak and core inflation falls further towards target. We retain our underweight real gilts vs nominal gilts, expecting the so-called break-even inflation rates to narrow further as inflation rates come down.

Source: Mercer. For illustrative purposes only. As at June 2024.

*Latest change made on 5 June 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



Asset Allocation

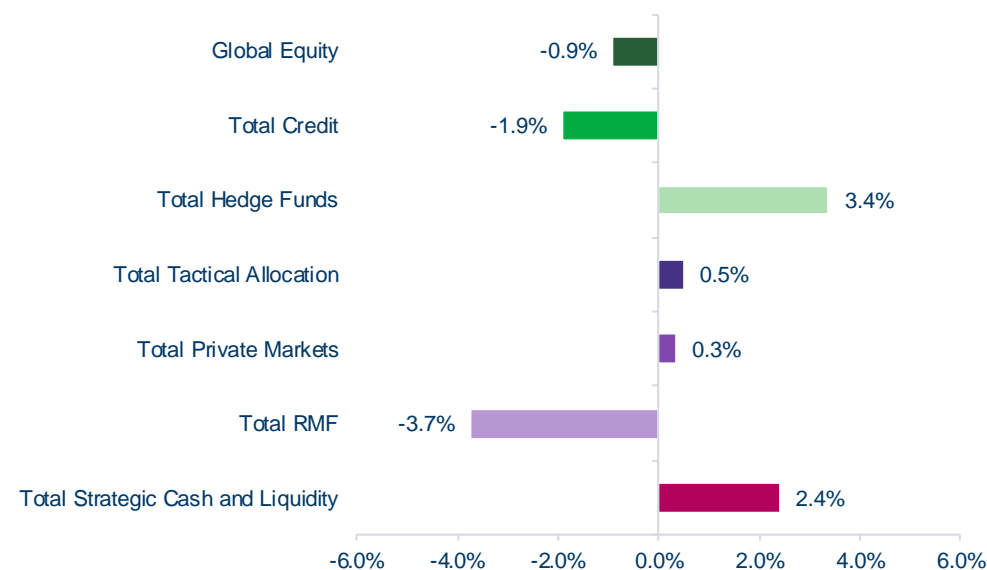
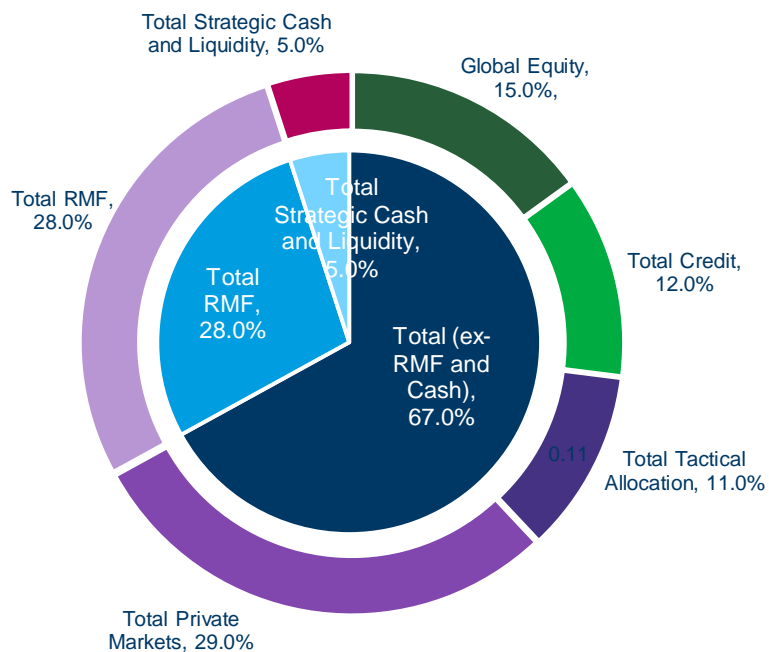
	31/03/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/ Decline (£M)	30/06/2024 Market Value (£M)	31/03/2024 Allocation (%)	30/06/2024 Allocation (%)	30/06/2024 B'mark (%)	30/06/2024 B'mark Range (%)
Total	2,475.2	-12.2	-2.6	2,460.5	100.0	100.0	100.0	--
Total (ex-RMF and Cash)	1,696.9	-17.8	2.6	1,681.7	68.6	68.4	67.0	--
Total RMF	652.9	-50.0	-6.2	596.7	26.4	24.3	28.0	10.0 - 35.0
Total Strategic Cash and Liquidity	125.5	55.5	1.0	182.0	5.1	7.4	5.0	2.5 - 7.5

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

Benchmark Asset Allocation as at 30 June 2024

Deviation from Benchmark Asset Allocation

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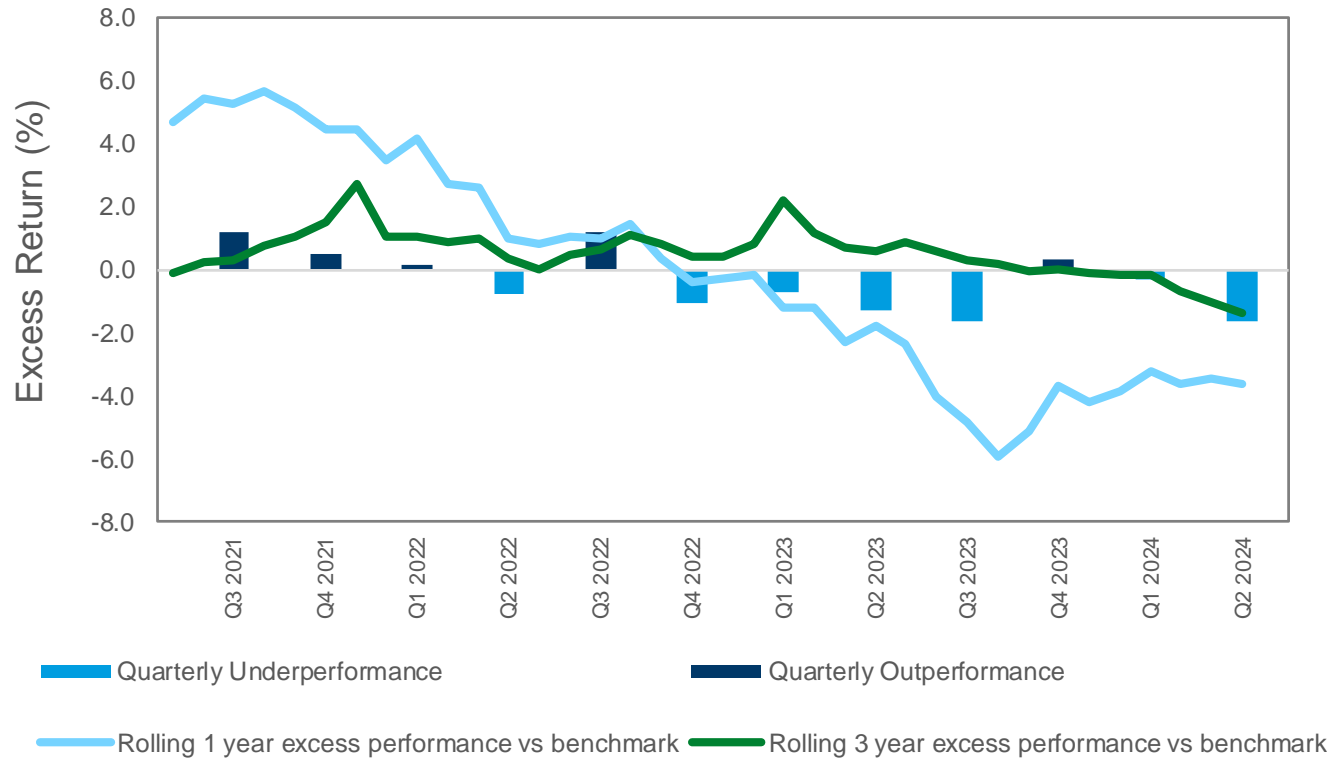


Investment Performance

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)
Total	-0.1	9.5	3.0	5.5
Total Benchmark	1.6	13.1	4.4	6.4

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

Relative Performance



Investment Performance

With the exception of Q4 2023, the Fund has underperformed the benchmark in each quarter since Q3 2022 and has shown negative relative performance compared to the benchmark over the rolling 1-year and 3-year periods. A key reason for this can be attributed to the WPP Sustainable Active Equity Fund, which has underperformed its target return of benchmark +2.0% over the 1-year period ending 30 June 2024 (14.0% vs 22.4%). Russell have provided the below explanation for the recent underperformance of the Sustainable Equity Fund:

“Our observations on the performance of the Sustainable Active Equity Fund are somewhat limited given that it is still relatively new (less than one year old as of 30th June 2024). The fund has lagged the market benchmark (MSCI ACWI) partly as a function of the broader active management environment (e.g. market concentration headwinds) but also in sympathy with the experience of sustainability-oriented strategies specifically. The median sustainability specialist is behind the market benchmark by as much as -8.5% (gross) for the 1-year period ending 30th June 2024 based on Russell universe data. Relative to expectations, Mirova and Wellington have performed well whilst Neuberger Berman is below expectations. Artemis was also meaningfully below expectations and this strategy was cut to a de minimis position in early 2024 (before formal termination at a later date) after a rank downgrade. Given the return objectives of the fund, we continue to manage it with close attention to its factor exposures against the market benchmark, limiting a number of the biases strongly apparent within the sustainable universe. The fund is well positioned to deliver its sustainability objectives, and net zero specifically, using the agreed assessment framework (NZIF).”

We would broadly agree with Russell’s comments about the challenging performance of sustainability-oriented strategies. Nevertheless, the level of underperformance over the year to 30 June 2024 is relatively material, which should be subject to further close monitoring. Having said this we would always recommend investors analyse active manager performance over longer periods than just 12 months, and investors should look to give managers at least 3 years before drawing any meaningful conclusions.

Additionally, components of the Private Markets allocation, such as Property (-15.4% vs 0.9%), Local/Impact (0.9% vs 10.5%), and Timber/Agriculture (2.3% vs 10.5%), have also underperformed their respective benchmarks over the 1-year period.. These assets are also benchmarked against an absolute return style benchmark (private debt) and a market reference rate with an excess spread target (SONIA +5% p.a.) for performance measurement. Therefore, the performance will appear further weakened against these types of benchmarks during this period. It should also be noted that over the three years period the Fund’s allocation to Local/Impact has returned 16.3% p.a. versus an 8.0% p.a. benchmark, so we are not unduly concerned by short period of muted performance.

Despite the relative underperformance, the Fund’s funding level remains strong and has strengthened since the last actuarial valuation, as at March 2022, the funding level on the solvency basis was 105%, as at June 2024, this had been estimated at an improved level of 108%.

Investment Manager Summary



Manager Allocation

	Investment Manager	31/03/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/Decline (£M)	30/06/2024 Market Value (£M)	31/03/2024 Allocation (%)	30/06/2024 Allocation (%)	30/06/2024 B'mark (%)	30/06/2024 B'mark Range (%)
Total		2,475.2	-12.2	-2.6	2,460.5	100.0	100.0	100.0	--
Total (ex-RMF and Cash)		1,696.9	-17.8	2.6	1,681.7	68.6	68.4	67.0	--
Total Equity		344.5	-1.1	2.8	346.2	13.9	14.1	15.0	10.0 - 20.0
Global Equity		344.5	-1.1	2.8	346.2	13.9	14.1	15.0	10.0 - 20.0
WPP Sustainable Active Equity	Russell	344.5	-1.1	2.8	346.2	13.9	14.1	15.0	10.0 - 20.0
Total Credit		251.5	-6.7	3.1	248.0	10.2	10.1	12.0	10.0 - 14.0
WPP Multi-Asset Credit	Russell	251.5	-6.7	3.1	248.0	10.2	10.1	12.0	10.0 - 14.0
Total Hedge Funds		121.1	-37.0	-1.1	83.0	4.9	3.4	-	-
Hedge Funds	Man Group	121.1	-37.0	-1.1	83.0	4.9	3.4	-	-
Total Tactical Allocation		283.3	-	-0.5	282.7	11.4	11.5	11.0	9.0 - 13.0
Tactical Asset Allocation	Various	283.3	-	-0.5	282.7	11.4	11.5	11.0	9.0 - 13.0
Total Private Markets		696.4	27.0	-1.6	721.8	28.1	29.3	29.0	15.0 - 37.0
Private Markets		659.8	9.3	-3.8	665.2	26.7	27.0	29.0	--
WPP Private Markets		36.7	17.7	2.2	56.6	1.5	2.3	--	--
Property	Various	113.6	-1.2	-4.5	107.9	4.6	4.4	4.0	2.0 - 6.0
Local / Impact	Various	142.8	5.3	-3.9	144.2	5.8	5.9	8.0	6.0 - 10.0
Timber/ Agriculture	Various	9.5	-0.5	0.0	9.0	0.4	0.4	--	--
Total Private Equity		219.7	10.4	4.1	234.3	8.9	9.5	8.0	6.0 - 10.0
Private Equity	Various	203.2	5.0	2.1	210.3	8.2	8.5	8.0	6.0 - 10.0
WPP Private Equity	Various	16.5	5.4	2.0	24.0	0.7	1.0		
Total Private Debt		62.6	8.3	0.5	71.4	2.5	2.9	3.0	1.0 - 5.0
Private Debt	Various	57.9	0.2	0.6	58.7	2.3	2.4	3.0	1.0 - 5.0
WPP Private Debt	Various	4.7	8.1	-0.0	12.8	0.2	0.5		
Total Infrastructure		148.3	4.6	2.1	155.0	6.0	6.3	6.0	4.0 - 8.0
Infrastructure	Various	132.8	0.4	1.9	135.2	5.4	5.5	6.0	4.0 - 8.0
WPP Infrastructure	Various	15.4	4.2	0.2	19.8	0.6	0.8		
Total RMF		652.9	-50.0	-6.2	596.7	26.4	24.3	28.0	10.0 - 35.0
Risk Management Framework	Insight	652.9	-50.0	-6.2	596.7	26.4	24.3	28.0	10.0 - 35.0

	Investment Manager	31/03/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/ Decline (£M)	30/06/2024 Market Value (£M)	31/03/2024 Allocation (%)	30/06/2024 Allocation (%)	30/06/2024 B'mark (%)	31/06/2024 B'mark Range (%)
Total Strategic Cash and Liquidity		125.5	55.5	1.0	182.0	5.1	7.4	5.0	2.5 - 7.5
Strategic Cash and Liquidity	Insight	88.4	20.0	1.0	109.4	3.6	4.4		
Trustee Bank Account	In-House	37.1	35.5	-	72.6	1.5	3.0	5.0	2.5 - 7.5

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

Fund and benchmark returns (%)	Investment Manager	3 Mth	B'mark	1 Yr	B'mark	3 Yrs (p.a.)	B'mark (p.a.)	5 Yrs (p.a.)	B'mark (p.a.)
Total		-0.1	1.6	9.5	13.1	3.0	4.4	5.5	6.4
Total Equity		0.8	3.3	11.9	19.9	2.0	5.6	6.3	9.2
WPP Sustainable Active Equity	Russell	0.8	3.3	14.0	22.4	-	-	-	-
Total Credit		1.3	2.3	9.2	9.5	-0.1	7.0	1.7	5.2
WPP Multi-Asset Credit	Russell	1.3	2.3	9.2	9.5	-0.1	7.0	-	-
Total Hedge Funds		-1.1	2.2	6.3	8.9	4.0	6.5	3.9	5.5
Hedge Funds	Man	-1.1	2.2	6.3	8.9	4.0	6.5	3.9	5.5
Total Tactical Allocation		-0.2	1.5	7.8	5.9	5.9	7.1	6.8	6.2
Tactical Asset Allocation	Various	-0.2	1.5	7.8	5.9	6.0	7.1	6.7	6.1
Total Private Markets		-0.2	2.4	2.1	8.8	9.4	7.0	8.3	6.1
Private Markets		-0.6	2.4	1.7	8.8	9.3	7.0	8.2	6.1
WPP Private Markets		5.3	2.4	14.9	9.7	-	-	-	-
Property	Various	-3.9	1.7	-15.4	0.9	-5.2	1.2	-2.1	1.9
Local / Impact	Various	-2.7	2.5	0.9	10.5	16.3	8.0	-	-
Timber/ Agriculture	Various	0.1	2.5	2.3	10.5	10.2	8.0	5.4	7.0
Total Private Equity		1.8	2.5	7.8	10.5	13.3	8.0	13.3	7.0
Private Equity	Various	1.0	2.5	7.1	10.5	13.1	8.0	13.2	7.0
WPP Private Equity	Various	12.2	2.5	-	-	-	-	-	-
Total Private Debt		0.7	1.8	9.0	7.5	10.0	7.5	6.2	7.5
Private Debt	Various	1.0	1.8	9.2	7.5	10.1	7.5	6.2	7.5
WPP Private Debt	Various	-1.0	1.8	-	-	-	-	-	-
Total Infrastructure		1.4	2.5	8.8	10.5	15.4	8.0	8.9	7.0
Infrastructure	Various	1.4	2.5	8.6	10.5	15.2	8.0	8.8	7.0
WPP Infrastructure	Various	1.0	2.5	16.9	10.5	-	-	-	-
Total RMF		-0.7	-0.7	17.9	17.9	-6.0	-6.0	2.2	2.2
Risk Management Framework	Insight	-0.7	-0.7	17.9	17.9	-6.0	-6.0	2.2	2.2
Total Strategic Cash and Liquidity		1.3	1.3	5.5	5.3	3.0	2.9	1.9	1.8
Strategic Cash and Liquidity	Insight	1.3	1.3	-	-	-	-	-	-

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. Total and Total Equity includes performance of terminated mandates.

Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.

Total hedge funds performance includes performance of the legacy Liongate portfolio.

Hedge funds, TAA and private markets portfolios performance has been estimated by Mercer. From 31 March 2024, Risk Management Framework performance has been estimated by Mercer.

Private Debt benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Total Strategic Cash and Liquidity returns are of Insight ILF2. Longer term returns are for representative purpose only.

Appendix



Appendix A

Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
Total		100.0	-
Total (ex-RMF and Cash)		67.0	-
Total Equity		15.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Sustainable Active Equity	Russell	15.0	MSCI AC World (NDR) Index +2.0% p.a.
Total Credit		12.0	SONIA +4.0% p.a.
WPP Multi-Asset Credit	Russell	12.0	SONIA +4.0% p.a.
Total Hedge Funds		--	SONIA +3.5% p.a.
Hedge Funds	Man	--	SONIA +3.5% p.a.
Total Tactical Allocation		11.0	UK Consumer Price Index +2.5% p.a.¹
Tactical Asset Allocation	Various	11.0	UK Consumer Price Index +2.5% p.a. ¹
Total Private Markets		29.0	Composite Weighted Index
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	SONIA +5.0% p.a.
WPP Private Equity	Various	8.0	SONIA +5.0% p.a.
Local / Impact	Various	8.0	SONIA +5.0% p.a.
Private Debt	Various	3.0	Absolute Return +7.5% p.a.
WPP Private Debt	Various	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	SONIA +5.0% p.a.
Infrastructure	Various	6.0	SONIA +5.0% p.a.
WPP Infrastructure	Various	6.0	SONIA +5.0% p.a.
Total RMF		28.0	Composite Liabilities & Synthetic Equity
Risk Management Framework	Insight	28.0	Composite Liabilities & Synthetic Equity
Total Strategic Cash and Liquidity		5.0	SONIA
Strategic Cash and Liquidity	Insight	5.0	SONIA
Trustee Bank Account	In-House		-

Figures may not sum to total due to rounding.

Performance benchmark for WPP Sustainable Active Equity portfolio include the outperformance target.

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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Risk management framework

Monthly Monitoring Report: 30 June 2024

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Clwyd Pension Fund
August 2024

Nick Page FIA CERA

welcome to brighter



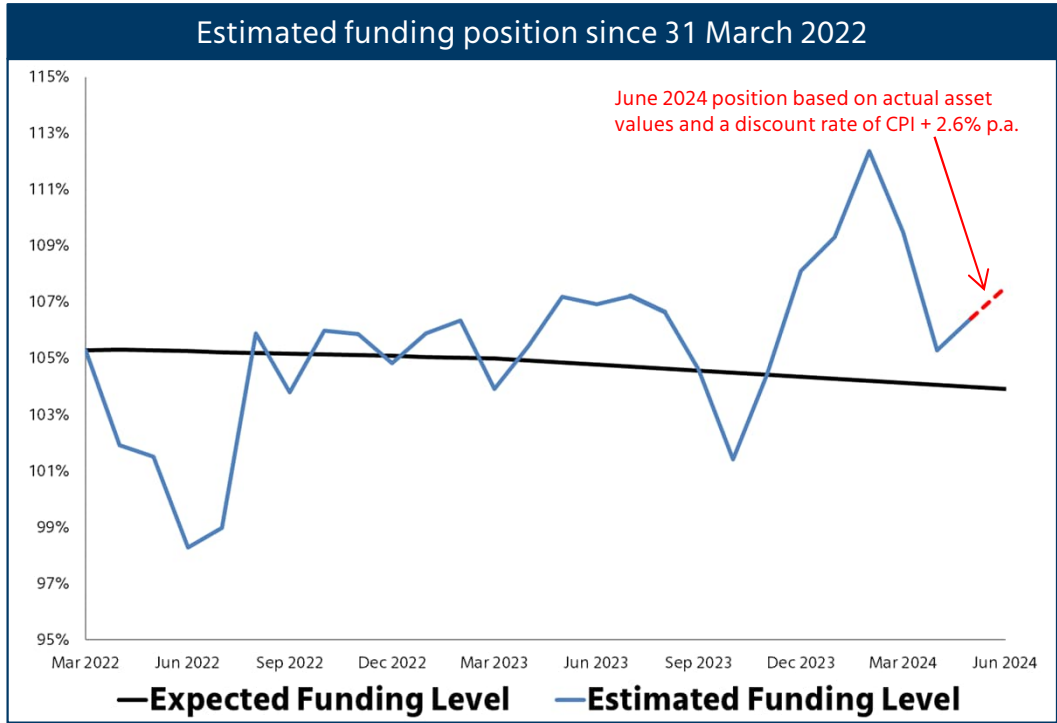
Executive summary

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

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 Overall funding position at 30 June 2024 <ul style="list-style-type: none">•The funding position is 108%, which is ahead of the expected funding level from the 2022 valuation by 4%.	 <p>This takes into account the impact of the de-risking of the investment strategy following attaining the 110% trigger and subsequent reduction in expected return.</p>
 Liability hedging mandate at 31 March 2024 <ul style="list-style-type: none">•Insight in compliance with investment guidelines•Marginally underperformed the benchmark over the quarter•Hedge ratios broadly in line with target levels	 <p>The yield trigger framework is currently paused in consideration of wider Fund liquidity requirements. This position will be reviewed at least annually as part of the Funding and Flightpath annual health check.</p>
 Synthetic equity mandate at 30 June 2024 <ul style="list-style-type: none">•Insight in compliance with investment guidelines•Marginally underperformed the benchmark over the month (as expected given observed market movements)	 <p>A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS rolled on 23 May 2021 and 24 May 2024 with no further changes to the strategy. No action required.</p>
 Currency hedging at 30 June 2024 <ul style="list-style-type: none">•Currency hedging overlay implemented in the QIAIF in August 2019•As at 30 June 2024, the market value of the currency hedge on physical equities since inception on 22 August 2019 was -£4.2m	 <p>No action required.</p>
 Collateral and counterparty position at 31 March 2024 <ul style="list-style-type: none">•The Insight QIAIF can sustain a 7.6% rise in interest rates or >10% fall in inflation, net of TRS and FX stresses and still retain a 4% yield headroom.•At 31 March 2024, the yield rise needed to exhaust all collateral within the Insight QIAIF was 11.6%.	 <p>The Fund has sufficient collateral to withstand the stresses as at 31 March 2024. No action required.</p>

Funding level monitoring to 30 June 2024



Comments

The **black line** shows a projection of the *expected* funding level from 31 March 2022 based on the assumptions (and contributions) outlined as part of the 2022 actuarial valuation. The expected funding level at 30 June 2024 was around 104%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 31 May 2024. The **red dashed line** shows the progression of the estimated funding level over June 2024. At 30 June 2024, we estimate the funding level and surplus to be:

108% / £172m

This update shows that the Fund’s position at 30 June 2024 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. 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.

Funding Level Triggers

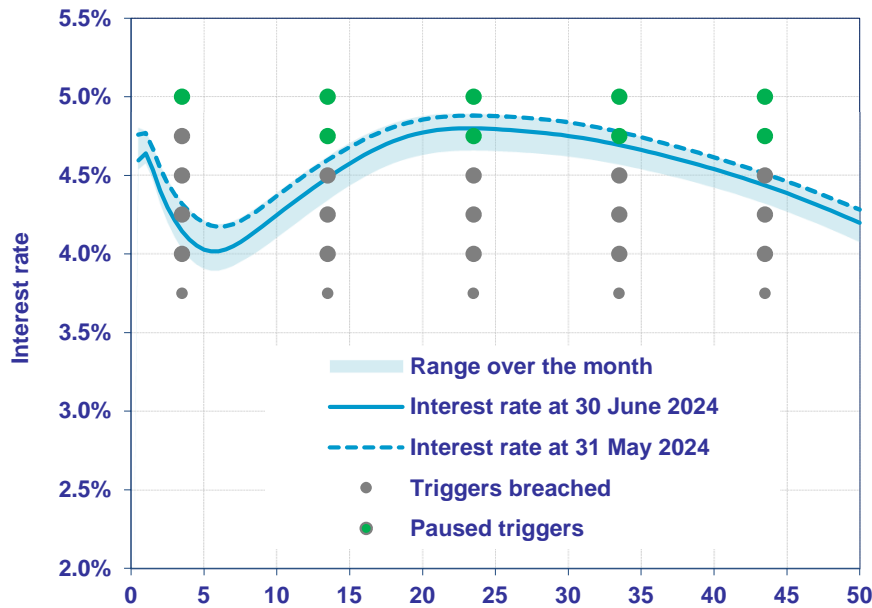
The funding level trigger of 110% was breached as at end February 2024 and prompted discussions on pre-agreed actions taken as agreed at the March 2024 Committee meeting. On the basis of these pre-agreed actions, there was a de-risking of the investment strategy, where the synthetic equity exposure was reduced so that the total equity exposure was broadly equal to the target of 35% of total Fund assets. This reduces the expected return and discount rate used to assess the funding position. In isolation, this action reduces the funding position by c. 3-4%.

The funding level will continue to be monitored approximately by Mercer on a daily basis and the FRMG and Committee will consider if a new funding level trigger framework should be adopted. This will take into account the risk/return profile as well as contribution levels for employers.

Update on market conditions and triggers

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Change in interest rates

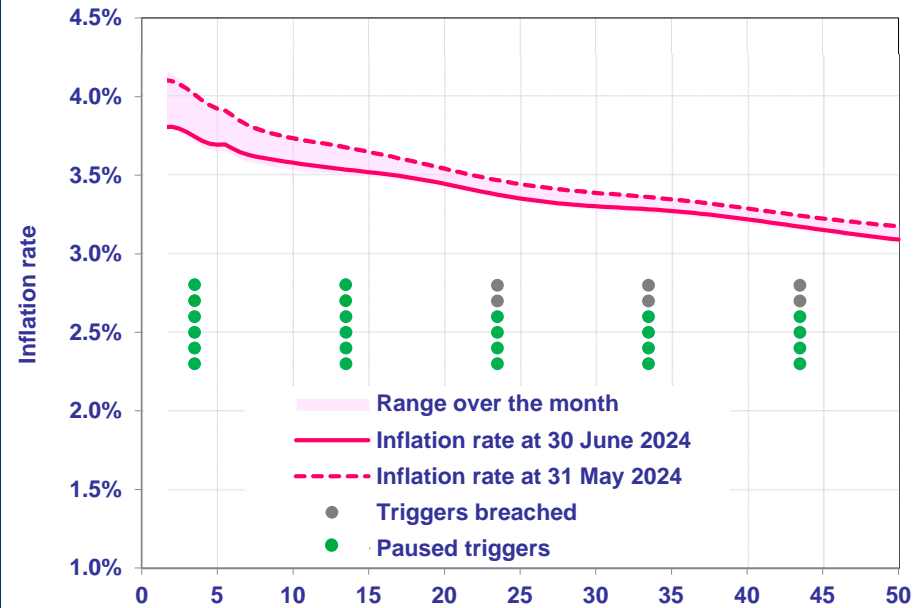


Date	Band 1	Band 2	Band 3	Band 4	Band 5	Total
31 March 2024	60.9%	42.9%	28.3%	19.4%	10.1%	28.6%

Comments

Relative to the position at the end of May 2024, the interest rate curve fell across all tenors.

Change in inflation rates



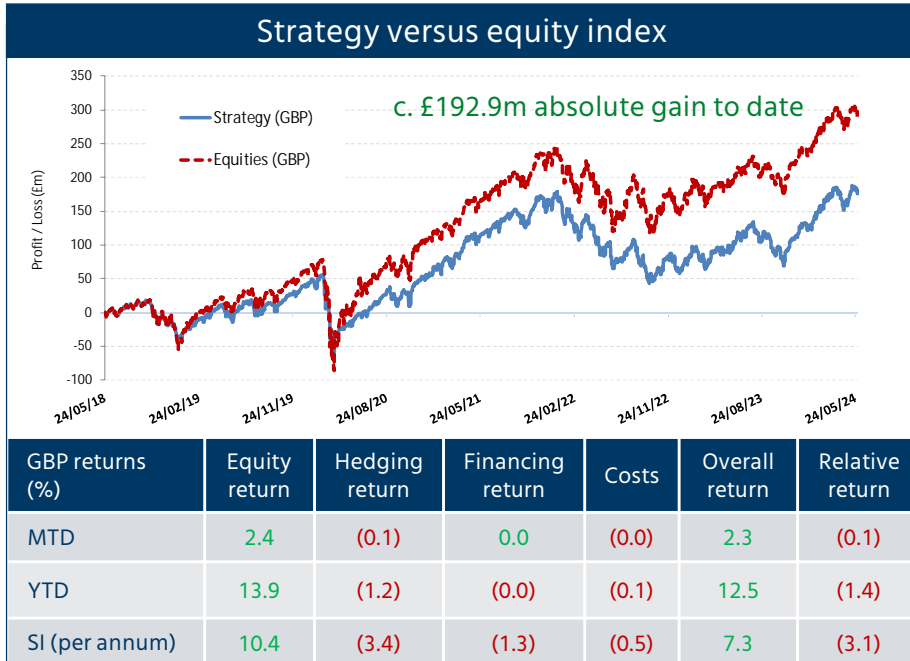
Date	Band 1	Band 2	Band 3	Band 4	Band 5	Total
31 March 2024	40.3%	15.0%	19.8%	21.2%	12.0%	18.6%

Comments

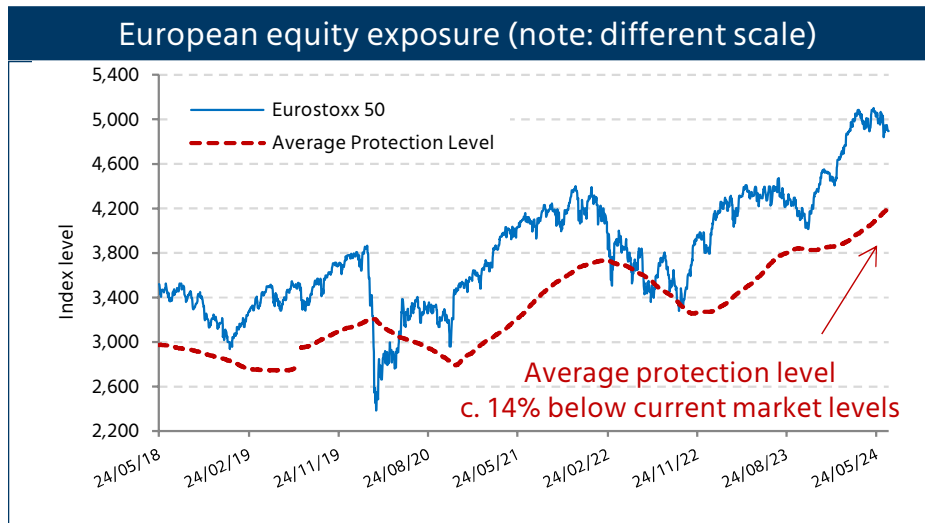
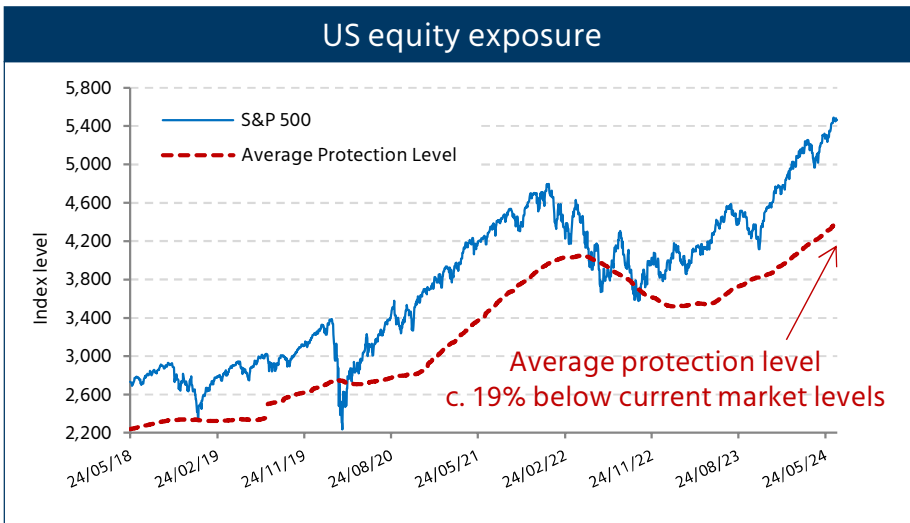
Relative to the position at the end of May 2024, the inflation expectations curve fell across all tenors shown.

Hedge ratios apply to assets calculated on the CPI+ basis in force at the analysis date and using 2022 valuation assumptions.

Update on equity protection mandate

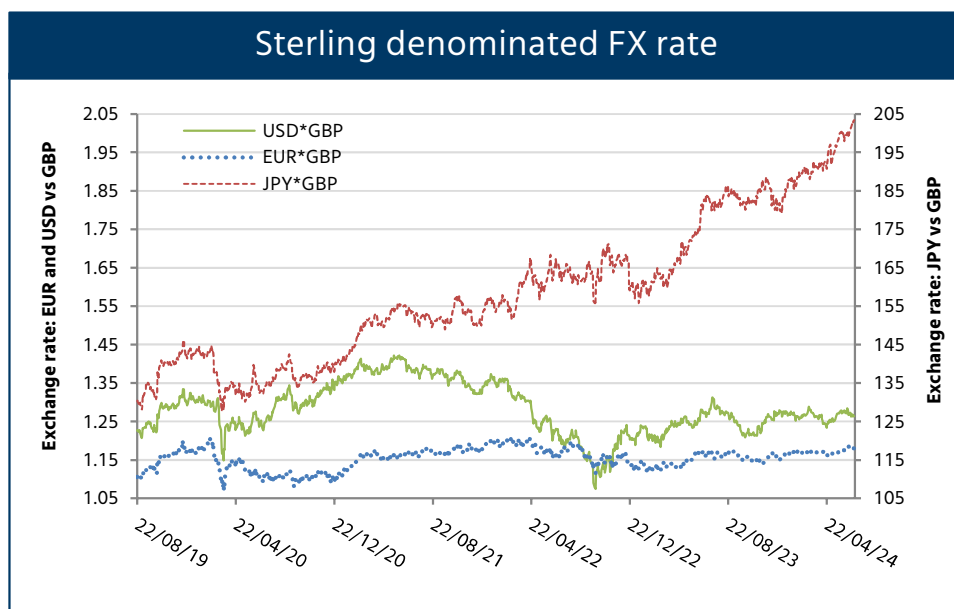


- ### Comments
- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to 2 weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
 - Equity markets rose over June 2024, with the hedging leg recording a slightly negative return over the month.
 - The strategy marginally underperformed passive equities over the month. As at 30 June 2024, there was a gain of c. £192.9m on the strategy since inception.
 - From inception on 8 March 2019 to 30 June 2024, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £20.2m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.



Developed market physical equity currency hedge

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- ### 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 was extended to cover the synthetic Paris Aligned exposure on implementation in October 2023, which was subsequently unwound in March 2024.
 - The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
 - As at 30 June 2024, the market value of the currency hedge since inception on 22 August 2019 was -£4.2m.
 - The market value of the currency hedge fell over June 2024 as sterling depreciated against the dollar, which was partially offset by appreciation against the euro and the yen.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 May 2024
EUR	12%	£2.5m	£0.2m
JPY	8%	£8.1m	£0.4m
USD	81%	(£14.7m)	(£1.5m)
Total	100%	(£4.2m)	(£0.9m)

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

Figures may not sum due to rounding.

Glossary

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

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 11 September 2024
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

The purpose of this report is to provide members with a summary of the Fund's administration performance and key administration and communications activity since the last meeting.

A more detailed update on the Fund's administration and communications performance will be provided at the next Committee meeting in November.

RECOMMENDATIONS

1	That the Committee consider and note the update and provide any comments.
2	That the Committee provide feedback on the contents and format of the new summary report

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS UPDATE
1.01	<p>Appendix 1 summarises the Fund's administration performance and key activity undertaken since the last update provided at the June Committee meeting, including:</p> <ul style="list-style-type: none">• Performance against the three separate measures – legal, overall and CPF. These are shown at a combined level across all benefits processes.• Case levels received over the past 3 month period and IDRs outstanding• Progress against the administration and communications elements of the Business Plan for 2024/25• An update on major projects• An update on the Fund's administration and communication risks• Delegations taken by officers (of which there are none to note)
2.00	RESOURCE IMPLICATIONS
2.01	None
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.
4.00	RISK MANAGEMENT
4.01	Appendix 1 provides commentary on the two highest risks and Appendix 2 provides the dashboard and the extract of administration and communication risks from the Fund's risk register.
5.00	APPENDICES
5.01	Appendix 1 – Administration and Communications Summary Report Appendix 2 – Risk register update
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none">• Report to Pension Fund Committee – Pension Administration Strategy (March 2021)• Report to Pension Fund Committee – Communications Strategy (June 2022)

	<ul style="list-style-type: none"> • Report to Pension Fund Committee - 2023/24 Business Plan and Clwyd Pension Fund Risk Management Strategy (March 2023) <p>Contact Officer: Karen Williams, Pensions Administration Manager Telephone: 01352 702963 E-mail: karen.williams@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
7.01	<p>(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.</p> <p>(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.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(h) MHCLG – Ministry for Housing, Communities and Local Government – the government department responsible for the LGPS legislation, formerly DLUHC – Department of Levelling Up, Housing and Communities</p>

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Administration and Communications Summary

September 2024

Administration Performance

Key Performance Indicators	3 months to 31 July 2024		12 months to 31 July 2024	
	% completed within KPI	Change in % completed within KPI*	% completed within KPI	Change in % completed within KPI*
Legal	84%	▲ +1.74%	86%	▼ -3.61%
Overall	69%	▼ -3.18%	74%	▲ +2.77%
CPF	85%	▲ +4.63%	85%	▼ -4.79%

*Compared to previous 3 month and 12 month periods respectively

Case Levels	New cases added over the last 3 months	Completed cases over the last 3 months	Outstanding cases	Change in outstanding cases compared to previous 3 months
31 July 2024	8,416	8,049	6,647	▲ +5.0%

IDRP's	Outstanding IDRPs cases against the Fund	Outstanding IDRPs cases against Employers	Ongoing Pensions Ombudsman Cases
31 July 2024	0	2	0

Commentary

In relation to the KPIs the legal measure and the CPF measure for this 3 month period across the combined processes is up on the previous 3 month period due to there being significant improvements in a number of the individual KPIs over the period. The CPF retirement KPI measure is up 18% compared to the previous 3 month period which is particularly positive and reflects the priority the Fund gives to retirements. The main areas where performance against the Overall KPI is lower than the previous three-month period relate to refunds and quotations.

The case level volumes received and completed have remained broadly consistent with the previous reporting period and there are no new IDRPs cases.

A detailed update on the administration performance will be provided at the November Committee meeting and more information can be provided on request.

Business Plan

The Committee approved the Business Plan for 2024/25 at the March meeting. Since the approval, there have been no new items or exceptions to report, and work is ongoing.

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					

Three tasks are in progress but behind schedule due to other areas of work taking priority. Additional testing is required for the employer escalation procedure (A9) before it can be fully implemented and suitable timescales are being agreed in relation to expanding ELT services to a further employer. It is expected that these tasks will be completed by the end of Q2.

Major Projects:

McCloud

Overall programme health status is green. The main focus of work is finalising the data collection and updating member records. Data is outstanding for a very small number of

employers and we are engaging with these employers. 67.5% of data received has been updated in the member records. Benefit rectification is expected to be able to commence once further guidance has been received, albeit previous public service pension information will be processed as the Public Sector Service forms are returned from scheme members (see Communications below). Identifying the potential McCloud impact and updating records based on these forms will be a major exercise.

Pensions Dashboard

Overall programme health status is green. The procurement process to appoint an Integrated System Provider is underway and project initiation documentation is being developed. The main focus of work continues to be data cleansing in preparation for onboarding to the eco-system. The project governance structure and roles were approved at the last Committee meeting and the first PMG meeting has been scheduled for next month.

Risk Register

All risks are reviewed monthly in line with the recently approved Risk Management Policy and the only changes made to the Risk Register, since the last update at the June Committee meeting, are to update some actions and internal controls based on progress being made. Please see the attached Administration and Communications Risk Register.

Risk 1: Insufficient suitably trained administration and communications staff – this risk continues to be carefully monitored (amber). The new management structure has been approved. An action plan has been agreed for recruitment, retention and succession planning which will include pay grade benchmarking and this has been added as a new action.

Risk 3: significant changes required to existing administration and communications processes and procedures - this still remains the highest (red) risk and a key reason for its status is largely due to the McCloud project work where a high degree of manual effort is still needed until further national guidance and software updates are received.

Communications

Annual benefit statements for deferred and active members have all been issued within the statutory deadline with the inclusion of a Public Sector Service form for members to complete and return. This will assist in identifying members in scope for benefit rectification in relation to McCloud.

Delegated Actions

The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.

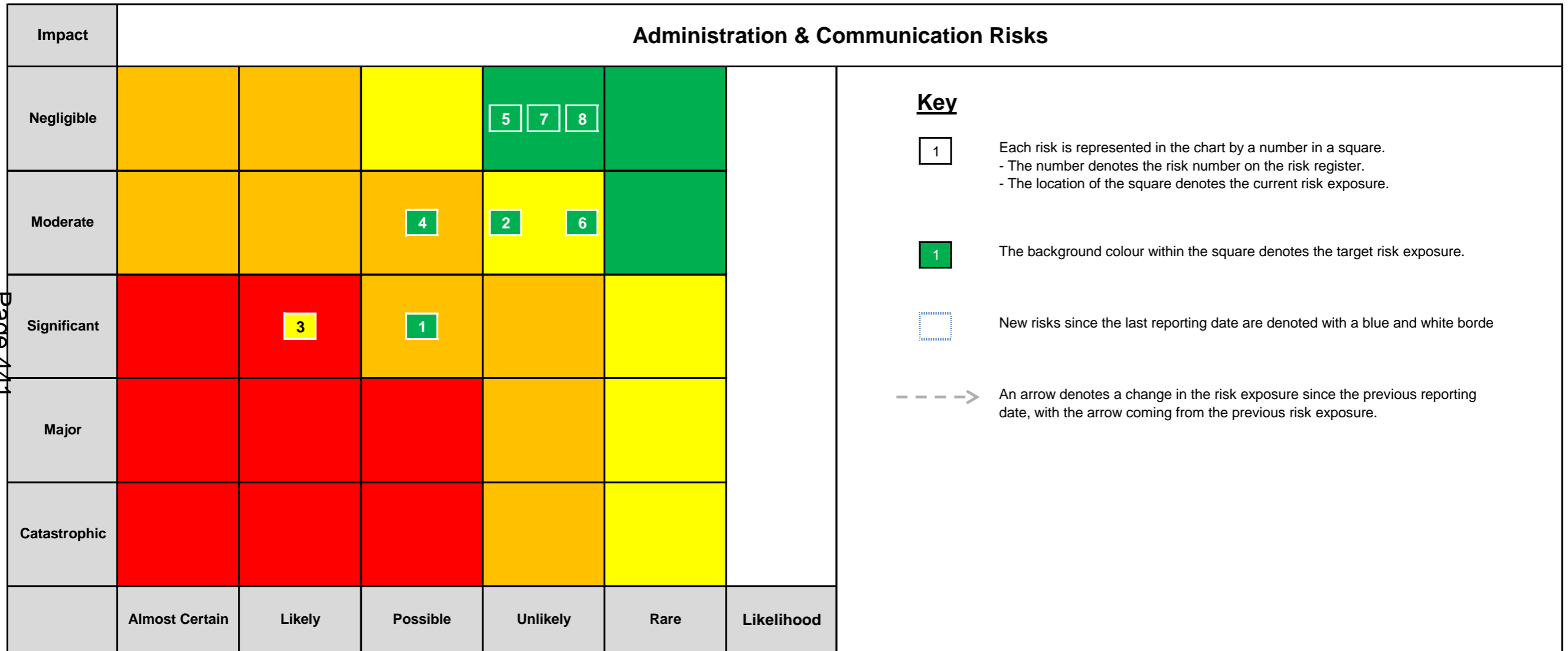
Any Other Matters

Nothing to report.

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Administration and Communication Risks Heat Map and Summary

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Clwyd Pension Fund - Control Risk Register
Administration & Communication Risks

Objectives can be found within a separate summary

Risk no.	Risk Event (this [event] could happen)	Risk cause (...due to [cause]...)	Risk Impact (...which may result in the following [impact] to our objectives)	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	Insufficient suitably trained administration and communications staff	<ul style="list-style-type: none"> - Difficulty in retaining staff (potentially due to low pay grades) - Difficulty in recruiting (potentially due to low pay grades) - Poor training programmes - Lack of time to invest in training including system understanding 	<ul style="list-style-type: none"> - Delays in provision of information to members/calculations of benefits/other processes - Errors in information / calculations / processes - Increased pressure /expectations on trained staff - Additional unbudgeted costs (overtime / external support) - Complaints / IDRPs, rectification costs & reputational damage 	All	Significant	Possible	High	<ul style="list-style-type: none"> 1 – Annual appraisal process with a mid-year review. Informal development discussions as required. Personal development plan for each staff member including objective setting and specific training preferences. 2 - K&S Policy, plan and ongoing monitoring in place for senior management team 3 – Existing providers and/or National Framework can be utilised if required for undertaking work or supporting with training /expertise 4 - Admin management team meetings [weekly] to monitor work volumes and trends 5 - Ongoing KPI/SLA reporting to management team/AP/PFC/LPB 6 - Staff recruitment/retention and organisational issues regularly considered at AP, PB and PFC 7 - Staffing budget reconsidered annually as part of Business Planning 8 - System /functionality controls and internal checking requirements in place 9 - Periodic external quality reviews of processes / procedures undertaken 10 - Project Team in place to focus on implementing changes and protect any impact on BAU 11 - Impact of potential or actual vacancies and/or other absences discussed regularly within management team ensuring priority work continues unaffected 12 - Issues with recruitment quickly identified, reviewed and discussed with FCC to increase success of appointments 13 - Fundamental review of Administration Team structure in summer 2023, having regard to trends in workflow and forecasting to the future. 	Negligible	Unlikely	Green	<p>Current impact 2 too high Current likelihood 1 too high</p>	10/06/2024	Mar 2025	<ul style="list-style-type: none"> 1 - Work ongoing relating to recruitment, retention, succession planning including pay grade benchmarking. (KW/SB/AR) 2 - Ongoing training of recent recruits (SB/AR) 3 – Carry out staff satisfaction survey (KW) 4 – List of all checking processes to be developed (KW) 	Karen Williams	10/07/2024	10/06/2024
2	Employers don't provide timely and accurate information	<ul style="list-style-type: none"> - Employers lack of understanding (including Poor comms and pace of change) - Employers lack of resource - Employers payroll systems have restrictions or are not fit for purpose - Employers have insufficient resources allocated to pensions matters - No or limited access to efficient data transmission 	<ul style="list-style-type: none"> - Delays in provision of information to members/calculating benefits - Errors in calculations / information provided to members - Complaints / IDRPs, rectification costs & reputational damage - Inefficiencies due to querying/chasing data 	A1, A2, A3, A4, A5, C1, C2, C8, C9, C10, C11, C12, C13	Moderate	Unlikely	Yellow	<ul style="list-style-type: none"> 1 - Administration strategy in place (including employer expectations & escalation) and regularly reviewed 2 - Employer engagement through Pension Board 3 - Employer steering group established (Councils' senior officers) 4 - Employer group engagement meetings established (all employers). 5 - Meetings with employers to discuss any ongoing data issues and provide training where required in line with the employer escalation procedure. 6 – LGA employer training guides issued 7 - I-connect in place for all Fund employers 8 - Regular data checks / reconciliations including additional checks as part of the year end processes (the newest additional check is Assumed Pensionable Pay data) 9 - Employer Liaison Team services available 10 - Independent data checks/analysis by actuary and monitoring against TPR data scores 11 - Monthly employer performance monitoring / communications 	Negligible	Unlikely	Green	<p>Current impact 1 too high</p>	10/06/2024	Dec 2024	<ul style="list-style-type: none"> 1 – Implement employer escalation procedure (which covers joiners, leavers and retirements) (KW/AH/KW) 2 – Expand ELT service to more employers to improve accuracy and timeliness of information (KW/KR) 3 – Develop and implement Data Improvement Policy (KW) 4 – List of all checking processes to be developed (KW) 	Karen Williams	10/07/2024	10/06/2024
3	Significant changes required to existing administration and communications processes and procedures	<p>External factors (Current examples: McCloud, Pensions dashboards, backdated pay awards, Employer membership changes)</p>	<ul style="list-style-type: none"> - Processing delays due to increases in work and/or resource needing to be re-allocated - Errors in calculations of benefits/communications due to lack of understanding of changes by employers and/or CPF administration team - Processing delays due to delays in system enhancements - Complaints / IDRPs, rectification costs & reputational damage 	A1, A2, A3, A4, A5, C1, C2, C6, C7, C8, C9	Significant	Likely	Red	<ul style="list-style-type: none"> 1 – Weekly admin management team meetings to monitor workloads and trends 2 - Ongoing KPI/SLA reporting to management team/AP/PFC/LPB 3 – Existing providers and/or National Framework can be utilised if required (e.g. implementing changes / training) 4 – Project Team in place to focus on implementing changes and protect any impact on BAU 5 - Technical / Comms Team in place to focus on interpreting regulations / updating communications 6 - Large projects have formal programme/project management e.g. McCloud Programme in place, including governance structure with Steering Group, PMG and regular workstream meetings 7 - Participation in wider groups to ensure Administration Team have a good understanding of changes e.g. POGs and the Pension Administration Manager sits on PLSA working group for Pensions Dashboards 8 – Doing Altair "testing site" role for the integration of the Administration system and Pensions Dashboard 9 - Annual business planning considers expected changes including budget and resourcing needs 10 – Various means of engaging with employers to proactively identify potential changes / issues 	Moderate	Unlikely	Yellow	<p>Current impact 1 too high Current likelihood 2 too high</p>	10/06/2024	Mar 2025	<ul style="list-style-type: none"> 1 – Fully test and implement all software releases for McCloud fixes to enable completion of McCloud data validation/upload and benefit rectification (AH/JT) 2 – Project team to be fully implemented and take on all major admin projects (KW/KW) 3 – Pensions Dashboard formal project meetings to commence (KW) 	Karen Williams	10/07/2024	10/06/2024
4	Communications to scheme members are misunderstood, not inclusive, or are not received / not read	<ul style="list-style-type: none"> - Lack of skilled staff with communications skills / EDI awareness (including plain language) - Best practice not being followed - High cost of communication restricting ways of communicating - Members not i-connect registered / confirmed as paper preference (black hole) - Members not reading MSS alerts/post (e.g. low priority) - Issues with MSS log ins (including forgotten passwords) - Members not updating email and/or postal address 	<ul style="list-style-type: none"> - Members make poor decisions or fail to take action due to lack of understanding /awareness - KPIs/SLAs/legal deadlines are not met due to lack of member engagement - Complaints / IDRPs, rectification costs & reputational damage including due to accessibility /inclusion issues -Additional costs / lack of efficiencies e.g. chasing member non-responses / tracing correct contact details - Insufficient internal resource for managing member communications 	A1, A2, A4, C1, C2, C3, C4, C5, C6, C7, C8, C9	Moderate	Possible	Orange	<ul style="list-style-type: none"> 1 – Communications Strategy in place and regularly reviewed – a focus on digital engagement and inclusivity of communications 2 – Annual communications survey for scheme members 3 – Specialist communication officer in team 4 – Internal checking requirements in place for bulk / template communications 5 – Access to consultant's communications specialists if required to fill any gaps in Fund resource/expertise 6 – Engagement with member representatives on Pension Board and PFC 7 - Member self-service in place 8 – Plain Language review of website undertaken 9 – Website meets accessibility requirements 10 – Ongoing feedback from member focus groups 11 – Annual business planning considers development of expected communications changes including budget and resourcing needs 12 – Regular address tracing exercises undertaken 13 - Participation in wider groups e.g. POGs to share ideas and discuss effective communications 14 – Engagement with software provider regarding system developments relating to Communications, e.g. Engage (which will replace MSS) 	Negligible	Unlikely	Green	<p>Current impact 1 too high Current likelihood 1 too high</p>	10/06/2024	Mar 2025	<ul style="list-style-type: none"> 1 – Finalise Plain Language website review (KM/AH) 2 – Finalise Plain Language review of all communications beyond website (KW) 3 – Implement new communications strategy (other actions) in line with business plan (KM/KW) 4 – Assess gap in skills post Comms Officer recruitment (KW/KM) 5 – Agree and implement communication actions relating to EDI policy (KM/KW) 6 – List of all checking processes to be developed (KW) 	Karen Williams	10/07/2024	10/06/2024
5	Communications to employers are misunderstood , not inclusive, or are not received / not read	<ul style="list-style-type: none"> - Lack of skilled staff with communications skills / EDI awareness (including plain language) - Best practice not being followed - High cost of communication restricting ways of communicating - Employers not confirming changes in staff / contact details - Employers not reading alerts / emails (e.g. lack of capacity/low priority) - Issues with i-connect employer portal log in (including forgotten passwords) 	<ul style="list-style-type: none"> - Employers provide inaccurate data/information or miss deadlines - Incorrect contributions paid to the Fund - Incorrect benefits or information then provided to scheme members - I Complaints from employers and /or complaints IDRPs from members, , rectification costs & reputational damage - Additional costs / lack of efficiencies e.g. chasing non-responses / tracing correct contact details 	A1, A2, A3, A4, C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13	Negligible	Unlikely	Green	<ul style="list-style-type: none"> 1 – Communications Strategy in place and regularly reviewed – a focus on digital engagement and inclusivity of communications 2 - Administration strategy in place (including employer expectations & escalation) and regularly reviewed 3 - Employer engagement through Pension Board and PFC 4 - Employer steering group established (Councils' senior officers) 5 - Employer Liaison Team services available 6 - Employer group engagement meetings established (all employers) 7 - Meetings with employers to discuss any ongoing data issues and provide training where required in line with employer escalation procedure 8 – Annual communications survey for employers 9 - Internal checking requirements in place for bulk / template communications 10 - Independent data checks/analysis by actuary and monitoring against TPR data scores 11 - Monthly employer performance monitoring with formal escalation process / increased engagement where not meeting KPIs 12 – Specialist communication officer in team 13 – Access to consultant's communications specialists if required to fill any gaps in Fund communications resource/expertise 14 – Annual business planning considers development of expected communications changes including budget and resourcing needs 15 - Participation in wider groups e.g. POGs to share ideas and discuss effective communications 	Negligible	Unlikely	Green				<ul style="list-style-type: none"> 1 – Finalise Plain Language review of all employer communications (KW) 2 – Implement new communications strategy in line with business plan (KM/KW) 3 – Assess gap in skills post Comms Officer recruitment (KW/KM) 4 – Agree and implement communication actions relating to EDI policy (KM/KW) 5 – List of all checking processes to be developed (KW) 	Karen Williams	10/07/2024	10/06/2024

Risk no:	Risk Event (this [event] could happen)	Risk cause (...due to [cause]...)	Risk Impact (...which may result in the following [impact] to our objectives)	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
6	Communications to scheme members are inaccurate	<ul style="list-style-type: none"> - Poor data quality - systems with underlying errors or poor functionality - staff errors / poor peer review 	<ul style="list-style-type: none"> - Incorrect amounts of benefits are paid - Members rely on incorrect information to make decisions - Complaints / IDRPCs, rectification costs & reputational damage 	A1, A2, A4, C1, C6, C7, C8, C9	Moderate	Unlikely		1 - Administration strategy in place and regularly reviewed 2 - Internal checking requirements in place 3 - I-connect in place for all Fund employers 4 - Regular data checks / reconciliation including additional checks as part of the year end processes (the newest additional check is Assumed Pensionable Pay data) 5 - Periodic review of template communications for accuracy, including website 6 - Independent data checks/analysis by actuary and monitoring against TPR data scores- 7 - Participation in wider groups e.g. POGs to share ideas and discuss effective communications 8 - Engagement with software provider regarding system developments relating to Communications, e.g. Engage (which will replace MSS) 9 - Fundamental technical content review of website carried out during 2023/24	Negligible	Unlikely		☹️ Current impact 1 too high	10/06/2024	Mar 2025	1 - Finalise technical review of all member communications beyond website (KW) 2 - Develop and implement Data Improvement Policy (KW) 3 - List of all checking processes to be developed (KW)	Karen Williams	10/07/2024	10/06/2024
7	Communications to employers are inaccurate	<ul style="list-style-type: none"> - Poor data quality - systems with underlying errors or poor functionality - staff errors / poor peer review 	<ul style="list-style-type: none"> - Employers rely on incorrect information and therefore, provide incorrect data which may result in incorrect member benefits - Complaints / IDRPCs, rectification costs & reputational damage 	A1, A2, A3, A4, C1, C6, C9, C10, C11, C12, C13	Negligible	Unlikely		1 - Administration strategy in place and regularly reviewed 2 - Internal checking requirements in place 3 - Employer engagement through Pension Board 4 - Employer steering group established (Councils' senior officers) 4 - Employer group engagement meetings established (all employers). 5 - Meetings with employers to discuss any ongoing issues. 6 - I-connect in place for all Fund employers 7 - Independent data checks/analysis by actuary and monitoring against TPR data scores 8 - Periodic review of template employer communications, including employer information on website, for accuracy 9 - Participation in wider groups e.g. POGs to share ideas and discuss effective communications	Negligible	Unlikely		😊			1 - Finalise Plain Language review of all employer communications (KW) 2 - Develop and implement Data Improvement Policy (KW) 3 - List of all checking processes to be developed (KW)	Karen Williams	10/07/2024	10/06/2024
8	The Fund does not have appropriate pension administration/communication systems	<ul style="list-style-type: none"> - Systems not being kept up to date for national changes/best practice by suppliers - Not being kept up to date, or used effectively, by the Fund - Ineffective contract terms - Inappropriate procurement terms - Lack of appropriately trained staff - Lack of engagement from Council IT - High pace of external change - High cost of systems 	<ul style="list-style-type: none"> - Unacceptable periods of systems being unavailable - Errors (including data and calculation errors) - Services not being delivered, or Delays in delivery - Increased costs due to inefficiencies - Complaints / IDRPCs, rectification costs & reputational damage 	A1, A2, A4, A5, C3, C4, C7, C8, C9, C11, C12, C13	Negligible	Unlikely		1 - System provider appointed following procurement exercise using national framework (and CPF were founding authority on national framework). 2 - Ongoing annual service review of Heywood contract for main admin/communication systems 3 - I-connect and MSS implemented and regularly reviewed 4 - Regular review of effectiveness of workflow procedures to ensure are fit for purpose 5 - Implementation of other Altair modules including Altair Insights to ensure effective/efficient use of available systems 6 - Ongoing engagement with Heywood and other users (including national groups) about software enhancements including timeliness of upgrade, and a hosted fund so receive software updates early 7 - Participation at national events/engagement with wider market to understand options for enhancements / improvements in systems 8 - Testing of all upgrades carried out before going live 9 - Ongoing checking for data issues and of day-to-day processes to assist in identifying issues	Negligible	Unlikely		😊			1 - Appoint pension dashboard ISP in line with new national dashboard timetable (KW/KW/AH) 2 - Develop and test all processes for national pension dashboard readiness (KW/KW/AH) 3 - Consider future options for website hosting (KW/KM/AH) 4 - List of all checking processes to be developed (KW)	Karen Williams	10/07/2024	10/06/2024

Clwyd Pension Fund - Control Risk Register
 Objectives for Administration & Communication risks

Policy/Strategy	Reference	Objective
Administration Strategy	A1	Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
	A2	Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
	A3	Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
	A4	Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
	A5	Maintain accurate records and ensure data is protected and has authorised use only
Communications Strategy	C1	Increase awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions
	C2	Communicate in a clear, concise manner
	C3	Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so
	C4	Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working
	C5	Regularly evaluate the effectiveness of communications and shape future communications appropriately
	C6	Increase awareness and understanding of the pension scheme and how it works
	C7	Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme
	C8	Maintain and build positive members experiences along every member's journey, wherever they are on their journey
	C9	Reduce the need for face-to-face meetings and phone calls
	C10	Increase awareness and understanding of the information required by the Fund from employers
	C11	Encourage employers to take ownership of the data and help their employees understand the broader benefits of the pension scheme
	C12	Maintain and build positive relationships with employers regardless of their size or expertise
	C13	Make the management of the Fund more efficient for both the Fund and employers

Risk Evaluation and Likelihood and Impact Explanations

The following information outlines how risks are to be evaluated. It is based on the FCC evaluation system incorporated in its Risk Management & Strategy (January 2024) but has been customised in places to better fit the management of Clwyd Pension Fund.

Assessment of risk:

Likelihood How likely will the risk happen	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
		1 Negligible	2 Moderate	3 Significant	4 Major	5 Catastrophic
Impact How severe would the outcomes be if the risk occurred						

Interpretation of risk exposure

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

Criteria for assessing impact (based on FCC with CPF customisation):




Description	CPF Examples			
	Service Delivery	Financial	Reputation	Legal
5 Catastrophic	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered	- 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 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 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	Legal action almost certain, unable to defend
	- 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		Formal DLUHC/TPR/SAB or other regulatory intervention/exercise of their powers	Multiple IDPRs and Pension Ombudsman expected (100+), almost certain unable to defend
4 Major	Severe service disruption on a service level with many key strategic outcomes or proprieties delayed or not delivered	Financial	Intense public and media scrutiny	Legal action almost certain and difficult to defend
	- 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		Engagement from DLUHC/TPR/SAB relating to the situation (but not formal intervention/powers being exercised)	Some IDPRs and Pension Ombudsman expected (20 to 100)

3 Significant	Disruption to one or more services / a number of key strategic outcomes or priorities would be delayed or not delivered	- 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/obligations may have a major impact	Local media interest. Scrutiny by external committee or body	Legal action expected
	- 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 (separately or merged)	- Reduction in funding level (e.g. 15-20% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0.5% to 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 significant increase in employer 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	Negative national level information (e.g. outlier on LGPS league tables)	Some IDRPCs and Pension Ombudsman expected (5 to 20)
2 Moderate	Some temporary disruption to a single service areas / delay in delivery or one of the Council's key strategic outcomes or priorities	- 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/obligations may have a moderate impact	Internal scrutiny required to prevent escalation	Legal action possible but unlikely and defensible
	- 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)	- Reduction in funding level (e.g. -5-15% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0.25% to 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 a moderate increase in employer contributions which affect public services - A number of smaller employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Negative regional level information (e.g. outlier on Welsh league tables)	Some IDRPCs and Pension Ombudsman expected (up to 5) but mainly informal complaints
1 Negligible	No Noticeable Impact	- 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/obligations may have a moderate impact	Internal review	Legal action very unlikely and defensible
	- 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	- Reduction in funding level (e.g. 0-5% since the last valuation) and/or expected returns outlook versus inflation (e.g. 0% to 0.25% 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 negligible increase in employer contributions which affect public services - A shift in the demographic profile of the Fund which would result in a negligible increase in employer 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		Very small number of informal complaints (under 10) and unlikely to be any IDRPC or Pensions Ombudsman claims

Criteria for assessing likelihood

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

Criteria for assessing the difference between the current and target risk exposures:

Symbol	Description
	The current Risk Exposure score, impact or likelihood of the risk, either individually or combined does not meet the criteria set out below.
	The Risk Exposure score is 11 or less; And the current impact and likelihood of the risk are individually no more than 2 classifications higher than the target, and/or the combined difference is no more than 3 classifications higher than the target.
	The Risk Exposure score is 11 or less And the current impact and likelihood of the risk are equal to, or less than, the target impact and likelihood.