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To: Cllr Dan Rose (Chair)

Councillors: Ted Palmer, Jason Shallcross, Antony Wren and Billy Mullin

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

21 November 2024

Dear Sir/Madam

NOTICE OF HYBRID MEETING
CLWYD PENSION FUND COMMITTEE
WEDNESDAY, 27TH NOVEMBER, 2024 at 9.30 AM

Yours faithfully

Steven Goodrum
Democratic Services Manager

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

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

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

A G E N D A

1 APOLOGIES

Purpose: To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)

Purpose: To receive any Declarations and advise Members accordingly.

3 MINUTES (Pages 5 - 12)

Purpose: To confirm as a correct record the minutes of the last meeting held on the 11th September, 2024.

4 CLWYD PENSION FUND ANNUAL REPORT AND ACCOUNTS 2023/24 (Pages 13 - 210)

Purpose: To provide Committee with the audited Clwyd Pension Fund Annual Report and Accounts, and the Letter of Representation for approval, and note the external audit report.

5 UPDATE ON NATIONAL DEVELOPMENTS (Pages 211 - 282)

Purpose: To provide Committee with an update on recent national developments impacting the Clwyd Pension Fund, including the Autumn Budget and the proposed HMT Pensions Review reforms relating to the LGPS as announced at the Mansion House speech, including plans for responding to the LGPS consultation relating to the HMT Pension Review reforms.

6 EXPOSURE TO BUSINESS ENTERPRISES LISTED ON THE UN OHCHR DATABASE AND REVIEW OF PALESTINE SOLIDARITY CAMPAIGN ANALYSIS (Pages 283 - 312)

Purpose: To provide Committee with an update on the Fund's investment exposure to business enterprises listed on the United Nations Office of the High Commissioner for Human Rights (UN OHCHR) database and review of Palestine Solidarity Campaign analysis, and agree any further action.

7 CLIMATE CHANGE ANALYSIS UPDATE (Pages 313 - 422)

Purpose: To provide Committee with the proposed Taskforce for Climate-Related Financial Disclosures (TCFD) Report, the one page member infographic and the analysis from the Analytics for Climate Transition (ACT), and to review and agree updates to the Fund's climate related targets.

8 **GOVERNANCE UPDATE** (Pages 423 - 486)

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

9 **PENSION ADMINISTRATION/COMMUNICATIONS UPDATE** (Pages 487 - 506)

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

10 **INVESTMENT, FUNDING AND POOLING UPDATE** (Pages 507 - 584)

Purpose: To provide Committee with an update on investment matters and the Wales Pension Partnership (WPP), and to agree engagement with WPP regarding investments with Pemberton Asset Management.

11 **FUNDING AND INVESTMENT PERFORMANCE** (Pages 585 - 626)

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

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

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

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

12 **SUPPLIER CONTRACTS** (Pages 627 - 632)

Purpose: To update Committee on supplier contracts, including requesting approval for the appointment of the Independent Adviser and consider the extension of the Actuarial and Benefits Consultancy contract.

CLIMATE CHANGE ANALYSIS UPDATE – PRIVATE APPENDIX (Pages 633 - 634)

Purpose: Confidential Appendix to Investment and Funding Update.

13 FUTURE MEETINGS

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

- Wednesday 19 February 2025
- Wednesday 19 March 2025
- Wednesday 18 June 2025

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

CLWYD PENSION FUND COMMITTEE
11 September 2024

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held as a hybrid meeting at County Hall at 2.00pm on Wednesday, 11 September 2024, with remote attendance available via Zoom.

PRESENT: Councillor Dan Rose (Chairman),
Councillors: Ted Palmer, Antony Wren

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

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

APOLOGIES: Cllr Dave Hughes, Cllr Jason Shallcross

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

Officers/Advisers comprising: Karen Williams (Pensions Administration Manager), David Bateman (Pension Fund Accountant), Matt Grundy (Graduate Accountant), Ieuan Hughes (Graduate Investment Trainee), Morgan Nancarrow (Governance Administration Assistant – taking minutes), Janet Kelly (Democratic Services Officer), Ceri Shotton (Democratic Services Officer).

13. 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.

In relation to the Investment, Funding and Pooling Update Cllr Wedlake highlighted that he is a member of the Palestine Solidarity Campaign.

There were no new declarations of interest.

14. MINUTES 19 JUNE 2024

The minutes of the meeting of the Committee held on 19 June were agreed.

RESOLVED:

The minutes of 19 June 2024 were received, approved, and will be signed by the Chairman.

15. CLWYD PENSION FUND ANNUAL REPORT AND ACCOUNTS 2023/24

Mr Bateman took the Committee through this report, highlighting:

- The audited Annual Report and Accounts are required to be published before December 1st each year. The Section 151 Officer has reviewed the accounts and confirmed he is happy with their quality and the underlying assumptions prior to submission to Audit Wales.
- New national guidance on LGPS pension fund annual reports was issued in April 2024, with which according to guidance the Fund has made its best endeavours to comply except where the effort or cost required would be disproportionate. This includes changes to the structure of the report based on guidance intended to make pension fund annual reports more uniform across the LGPS.
- He thanked those involved in the preparation of the draft annual report, which was presented to the Committee for noting and comments. The Fund will continue to work with Audit Wales to provide a final audited Annual Report. Any amendments will be reported at the November Committee meeting along with a formal Audit Opinion, and officers will recommend approval of the final document.
- Audit of the Annual Accounts is underway and no significant issues have been raised to date. The draft report was submitted to Audit Wales by the 1st August 2024 deadline, but has not yet been audited.

Mr Bateman took the Committee through the first sections of the Annual Report.

Mrs McWilliam presented the independent adviser report, and the Pension Board annual report. She thanked the Board members for their work and commitment to the Fund, and thanked the Committee and officers for working openly with the Board and embracing its involvement with the Fund. She summarised that there is exceptional management of the fund and 2023-24 was another successful year from a governance perspective, and noted the risk posed by the magnitude of work relating to national developments which are out of the Fund's control.

Mr Bateman took Committee through the financial report and accounts, highlighting:

- Improvement in net asset value from 2.3bn to 2.48bn mainly due to positive market movement.
- Decreased contributions due to the outcome of the 2022 Actuarial Valuation.
- Increased Pensions Payable due to the April 2023 inflationary pensions increase.
- Overall greater expenditure compared to income excluding fees and investment income. This was broadly in line with the projected forecast.
- An overview of investment performance and fees.
- The estimated funding position was 109% as at 31 March 2024.

Finally, he asked members to note the draft response to the Audit Enquiries Letter from Audit Wales for 2023-24.

Cllr Wedlake noted the commentary relating to underperformance against the benchmark on page 119. He acknowledged the need to look at the bigger picture around the positive funding position, but that the numbers could indicate that if current trends continue the Fund might underperform against the 10 year benchmark, as well as the 1-5 year benchmark. He felt that this needed further explanation. Mr Turner confirmed that this will be looked at and further wording will be provided.

With reference to the commentary on page 140 on the loss of performance during the Fund’s website review, Cllr Wedlake also requested a summary of what improvements will be made to ensure performance will return to previous levels in future. Mrs K Williams clarified that the dip in performance was due to the website being down while it was being updated as part of the website review. At the time of writing, the review was in progress, however this has now been completed and the improvements made as part of this work should naturally rectify the performance level over time. She confirmed that the wording in the report will be updated to clarify this.

RESOLVED:

The Committee considered and commented on the draft Annual report and Accounts, and noted the audit enquiries letter and response.

16. DRAFT STEWARDSHIP CODE SUBMISSION

Mr Turner, the Fund’s Investment Consultant, took the Committee through this report. He explained that work is progressing well, and the Fund should be in a position to make its Stewardship Report submission before the end of October deadline. The Committee was asked to consider the draft report, noting the areas yet to be updated, and provide any comments or suggestions to be incorporated before the final submission. He acknowledged that a huge amount of work goes into the production of this report, and while the FRC (Financial Reporting Council) has made some changes to the requirements intended to streamline the process, the report is still a significant commitment for the Fund.

RESOLVED:

The Committee considered the draft submission, and delegated responsibility for approval of the final submission to the Head of Clwyd Pension Fund.

17. GOVERNANCE UPDATE

Mrs McWilliam, the Fund’s Independent Adviser, took the Committee through this report, highlighting areas that have developed and those areas relevant to the recommendations including:

- The joint trade unions have now been in touch with a nomination to fill the vacant Scheme Member Representative position on the Pension Board, and it is hoped that the appointment will be confirmed before the next Pension Board meeting.
- The Fund previously wrote to WPP regarding its governance arrangements. A response from WPP has now been received and will be discussed as part of the November workshop.
- Ahead of this Committee meeting, a briefing session for Committee and Board members was held regarding the HMT Pensions Review, and the Committee was now being asked to agree the process for responding to the Call for Evidence.

- The summary of the most recent SAB meeting has now been made live. It includes that SAB is seeking legal advice on whether it needs to update its guidance on the meaning of fiduciary duty for LGPS administering authorities.

Mrs McWilliam highlighted the recommendations relating to the Fund's Conflicts of Interest Policy, and the Over and Under Payments Policy which as a technical policy has previously been delegated to officers to update other than strategic elements. She also highlighted upcoming events on 26th November, which are the Annual Employer and Scheme Member Representatives meeting in hybrid format, as well as an essential briefing session for Committee members which Board members should attend.

The Chair explained that each recommendation would be discussed and considered individually. The first recommendation was supported.

With respect to the second recommendation, the Chair confirmed the view at the briefing was that the Committee agreed to delegate the response to the Call for Evidence to the Head of Clwyd Pension Fund, and that officers will circulate the draft response for Committee members to provide any comments to be incorporated. Mrs McWilliam suggested that this delegation could also apply to other future consultations relating to the Government's pensions review which fall outside the Committee cycle. Cllr Palmer said he was happy with this, with the caveat that if officers or the Committee finds that the issue requires more attention than an email, a Special Meeting may be called. This update to the recommendation was proposed, seconded and agreed by the Committee.

The third and fourth recommendations were supported.

The Chair proposed a motion to add an additional action for the Chair to write to the Government stating that a three week consultation period is not sufficient for local government responses given the cycle of meetings and the statutory processes relating to those. This was seconded and agreed by the Committee.

RESOLVED:

a) The Committee considered and commented on the update.
b) The Committee noted the Governments Pension Review and agreed the process for responding to consultations outside the Committee cycle.
c) The Committee approved the updated Conflicts of Interest Policy
d) The Committee approved the updated decision-making matrix in the Policy on the Overpayment and Underpayment of Pension Scheme Benefits.
e) The Committee agreed that the Chair will send a letter to the government stating that a three week consultation period is too short to be suitable for local government Committees to respond.

18. INVESTMENT, FUNDING AND POOLING UPDATE

Mr I Hughes presented this report. He took the Committee through key points including the Risk register and its new format, and progress against key business plan tasks. The update on Wales Pension Partnership (WPP) matters included:

- Key discussions and outcomes at the 17 July Joint Governance Committee (JGC) meeting, highlighting the new JGC Chair and reappointment of the WPP real estate allocators.
- It was noted that the 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.
- Finalising the 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.
- Comments were requested from Committee members on the engagement and stewardship themes, in order to feed back to WPP.

Cllr Palmer noted his disappointment that there was no statement at the July JGC acknowledging or thanking him for his contribution to JGC over the past few years.

Mr I Hughes also highlighted that the Government Actuary’s Department has now completed its cost management process allowing for the costs of the McCloud judgement. Mr Middleman explained the cost management process has concluded that no changes were required to the scheme to rebalance costs between members and employers.

The Chair explained that he had received a number of queries regarding potential investments that the Fund has with ties to companies involved in the Israeli government's military occupation of Palestine. The queries had also cited research published by the Palestine Solidarity Campaign A request from a Committee member had also been made to raise this as an item for discussion on today’s agenda. He had also been made aware that the LGPS Scheme Advisory Board had received similar queries and was subsequently seeking legal advice on this. Given there was not sufficient time for officers to seek appropriate advice and prepare a report on this, the Chair proposed that an update be brought to the November meeting.

Cllr Wedlake said that there is a clear question around human rights with regards to the conflict in Palestine and continued breach of international laws. He recognised the resource implications for the Fund, but on the basis of members who had written to him he requested a preliminary report to be brought to the November Committee with details of investments the Fund currently holds which could be associated as supporting the action being taken by Israel’s government and military.

Mr Palmer asked for further clarification on the second recommendation. It was clarified that this is to bring a preliminary update to the November Committee on what investments the Fund holds, both through WPP and directly, in the United Nations database of companies identified as being involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem.

Mr Latham noted that human rights are on the list of WPP engagement topics, and encouraged members to make their view heard through this also.

RESOLVED:

a) The Committee noted and commented on the update.
b) To bring to the 27 November meeting a preliminary update on the Fund's investment holdings, both through WPP and directly, in the UN database.

19. FUNDING AND INVESTMENT PERFORMANCE UPDATE

Mr Turner and Mr Middleman presented this report.

Mr Middleman presented the funding position and explained the full set of 'green traffic lights' in the flightpath appendix with everything working as expected.

Mr Turner took the Committee through the investment and performance highlights including:

- Positive outlook for return seeking assets.
- Underperformance of the WPP Sustainable Active Equity fund – it was explained that the Fund has been invested in this sub-fund for a relatively short period of one year, and a meaningful conclusion of performance needs at least 3 years. A key reason for the underperformance to date was an underweight position to large cap technology related stocks in the US.
- The Multi Asset Credit and Tactical Asset Allocation performed in line with expectations, and there were no significant concerns regarding private markets.
- The Fund's cash allocation appears to be relatively high, but this is as expected following strategy changes since de-risking activity earlier in the year. Given known asset movements, the cash allocation was projected to decrease in-line with the Fund's target in the coming months. .

Cllr Palmer noted the 108% funding position and asked if this position changed significantly the impact would fall on employers and their budgets? Mr Middleman confirmed potentially yes if it fell below the expected funding level as any gap in funding would fall on employers. There could also be other factors affecting the position and this would be considered as part of the valuation. Mr Middleman highlighted also that stability is supported by the flightpath strategy in place. This provides some protection to the funding position and contribution stability. Cllr Palmer noted that this would affect only employer contributions, not employee contributions, which Mr Middleman confirmed as member contributions are set by Government not the Fund.

RESOLVED:

The Committee noted and commented on the update.

20. ADMINISTRATION AND COMMUNICATIONS UPDATE

Mr Hibbert commented that he liked the style and presentation of the update. Mr Palmer thanked the team for their hard work.

RESOLVED:

The Committee considered and commented on the update and provided feedback on the format of the new summary report.

21. <u>FUTURE MEETINGS</u>

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

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

<u>RESOLVED</u>:

The Committee noted the upcoming Committee dates.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 27 November in hybrid format and will be followed by a training session. He reminded members of upcoming events. The meeting finished at 3:11pm.

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Chairman

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Date of Meeting	Wednesday 27 November 2024
Report Subject	Clwyd Pension Fund Annual Report 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 each year. The regulations and CIPFA best practice guidance advise on the content.

The Annual Report for 2023/24 is attached as Appendix 1 to this report. The Annual Report includes the Fund's Statement of Accounts, which has been audited by Audit Wales. The Audit Wales Audit of Accounts Report is attached as Appendix 2, and the Final Letter of Representation as Appendix 3.

The Annual Report includes statutory and best practice policies and statements, which have previously been approved by the Committee. In previous years these have been appended to the report, however in line with the latest national guidance, these are now signposted with hyperlinks to the documents which are publicly available on the Fund's website.

RECOMMENDATIONS	
1	That members approve the Fund's Annual Report for 2023/24 including the Statement of Accounts.
2	That members consider the Audit of Accounts Report
3	That members approve the final Letter of Representation

REPORT DETAILS

1.00	**Annual Report and Accounts**
1.01	*Background* 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, new national 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. The Fund's Statement of Accounts is included as part of the Annual Report. The approval of the draft and audited Statement of Accounts, is a statutory responsibility of the Section 151 Officer. Members will recall that a draft Statement of Accounts was signed off by the Corporate Finance Manager as Section 151 Officer prior to the Committee meeting on September 11 2024, where the draft Annual Report was presented for consideration. This report presents the updated version of the Annual Report for approval. The Annual Report has been drafted with regard to updated national guidance provided to Local Government Pension Scheme administering authorities, which was published in March 2024 jointly by The Scheme Advisory Board, the Chartered Institute of Public Finance and Accountancy, and the Ministry of Housing, Communities & Local Government.
1.02	As in previous years, the main structure of the Annual Report consists of a series of reports from senior officers and advisors to the Fund. These are: - A report on the overall fund management including risk management - A report on the governance of the fund and training of Committee and Board members - A report from the Fund's Independent Advisor - A report from the Pension Board - A report on the Fund's financial activity - A report from the Fund's investment consultants - A report from the Fund's actuary - A report on the administration of the Fund In addition, the Fund's Statement of Accounts and Annual Governance Statement are included. The Annual Report is required to include certain statutory strategies, and the March 2024 guidance on 'Preparing the Pension Fund Annual Report' now permits these to be accessed using hyperlinks, rather than appending full text versions. Links to these documents on the Fund's website are included in at Appendix 7 of the Annual Report, along with signposting to non-statutory information which is considered relevant.
1.03	The guidance also states that for reports covering 2023/24, funds should use their best endeavours to comply fully with this guidance, but exercise judgement where, because of changes to the previous content, to do so

	would require disproportionate effort or cost. The guidance has been followed wherever possible in the preparation of this report. Where this has not been possible, the 2019 CIFPA guidance has been followed and the Fund continues to aim for full compliance with the new guidance in 2025. The Committee received the original draft Annual Report at the 11 September 2024 meeting and any changes have been detailed in the attached audit report. Following comments at the September meeting, changes were also made in order to clarify points relating to investment performance against the benchmark (page 104) and website performance (page 125), as well as some minor typographical corrections.
1.04	*Audit findings* The Audit Wales Audit of Accounts Report states: “In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.”
1.05	The audit of the 2023/24 Statement of Accounts is now substantially complete, although the audit continues up until the point at which it is formally signed off by the auditors which will be before the 1 December 2024 deadline for publishing the Annual Report. Amendments to the Annual Report and Accounts may still be actioned before the final approval in which instance, a verbal update will be provided at the Committee meeting.
1.06	A copy of the Statement of Accounts for 2023/24 is included in the Annual Report at Section 4. It incorporates all changes agreed with Audit Wales during the course of the audit.
1.07	Audit Wales are required to provide an opinion and communicate relevant matters arising from the audit to the Clwyd Pension Fund Committee which is charged with governance of the Fund. Attached at Appendix 2 is the Audit of Accounts Report received from Audit Wales and they will be in attendance at the meeting to present this report. The Audit report states: “In my opinion, in all material respects, the financial statements: • give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities; and • have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.”
1.08	The audit report includes details of any issues arising from the audit, and a summary of the corrections made to the Statement of Accounts after the audit. The accounts received an unqualified opinion this year and also recorded no uncorrected misstatements. This is particularly pleasing given the work was

	carried out by a new team, following the retirement of the Deputy Head of Clwyd Pension Fund. There is only one significant issue to report this year. This is in relation to the rounding's within several of the working papers of the draft accounts. These related to various notes and the net assets statement, none of which have affected the final Fund valuation. All have been corrected and are shown at Appendix 3 of the Audit Wales Audit of Accounts Report 2023/24. The preparation time of the accounts was carried out over a much shorter timescale due to the audit commencing earlier this year. This meant there was less time for checks to be carried out. There will be a post project audit meeting between Audit Wales and the Fund's officers, to consider how the process can be improved in future years.
1.09	The Letter of Representation shown at Appendix 3 confirms to Audit Wales that all the information contained in the financial statements is true and accurate and that all information has been disclosed. It is recommended that the Committee approve the Letter of Representation for signature by the Chair, which is required for Audit Wales to provide their audit opinion, which we understand will be unqualified.

2.00	**RESOURCE IMPLICATIONS**
2.01	Working with Audit Wales in completing the audit of the Statement of Accounts and Annual Report has taken significant time of the Fund officers since July. Audit Wales are considering whether there might be an increase in the fee. Any increase in fee would be absorbed within the existing budget.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	This report and its attachments have been subject to consultation with the Section 151 Officer.

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

5.00	**APPENDICES**
5.01	Appendix 1 – Draft Annual Report 2023/24 Appendix 2 – Audit Wales Audit of Accounts Report 2023/24 Appendix 3 – Final Letter of Representation

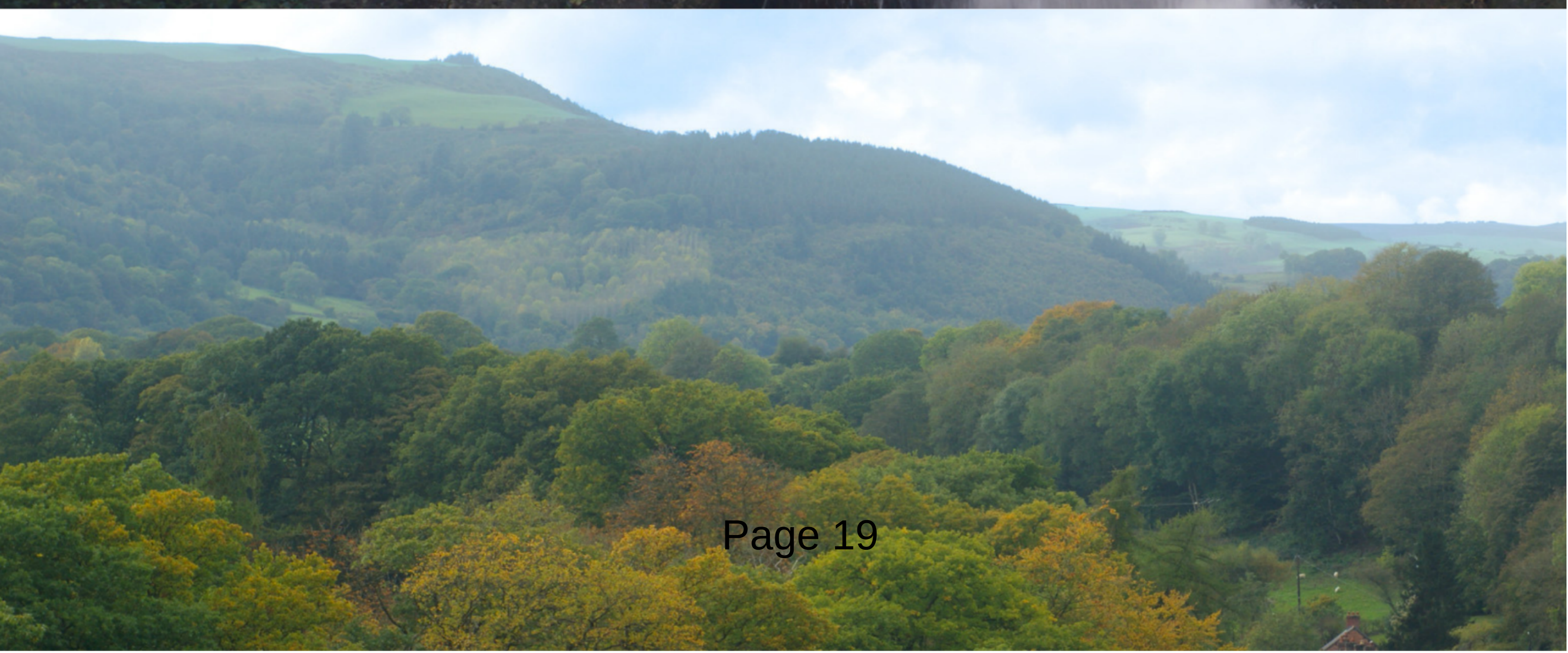
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	The statutory documents included can be found on the Fund's website here - https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/ **Contact Officer:** David Bateman, Fund Accountant, Clwyd Pension Fund **Telephone:** 01352 704078 **E-mail:** David.Bateman@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **LGPS – Local Government Pension Scheme** – the national scheme, of which Clwyd Pension Fund is part. (b) **Audit Wales** – Welsh public body charged with assuring public money is managed well, explaining how it is used and driving public sector improvement. (c) **International Standard on Auditing** - deals with the independent auditor's overall responsibilities when conducting an audit of financial statements (d) **Chartered Institute of Public Finance and Accountancy (CIPFA)–** the professional body for people in public finance. (e) **Unqualified opinion** – an auditor's judgement that a company's financial statements are fair and accurate

Clwyd Pension Fund

Annual Report

2023/2024



Contents

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

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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

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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 £2,350m. 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 pensiynau@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
Governance (particularly at PFC) is poor including due to: • short appointments • poor knowledge and advice • poor engagement /preparation / commitment • poor oversight	Inappropriate or no decisions are made	Amber	Green	1: Agree training plan for 2024/2025 2: Review approach to PFC meetings and papers issued to members
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	Our legal fiduciary responsibilities are not met	Amber	Yellow	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
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit): current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	Services are not being delivered to meet legal and policy objectives	Amber	Green	1: Ongoing consideration of business continuity including succession planning 2: Agree and implement plan for retirement of current Deputy, including a review of the senior management team structure.

Cronfa Bensiynau CLWYD Pension Fund

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2024	Target Risk Status	Further Action
• Markets perform below actuarial assumptions • Fund managers and/or in-house investments don't meet their targets • Market opportunities are not identified and/or implemented • Black swan event, 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	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	Red	Amber	1: Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP 2: Ongoing consideration of officer succession planning, including maintaining local investment knowledge 3: Interim Investment Strategy Review

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Cronfa Bensiynau CLWYD Pension Fund

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
• 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: • 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

Cronfa Bensiynau CLWYD Pension Fund

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

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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.

Date	Event	Committee Members										Senior Officers			
		Cllr T Palmer	Cllr A Wren	Cllr A Wedlake	Cllr G Ellis	Cllr J Shallcross	Cllr S Swash	Cllr D Hughes	Cllr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder	Karen Williams
	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.

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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

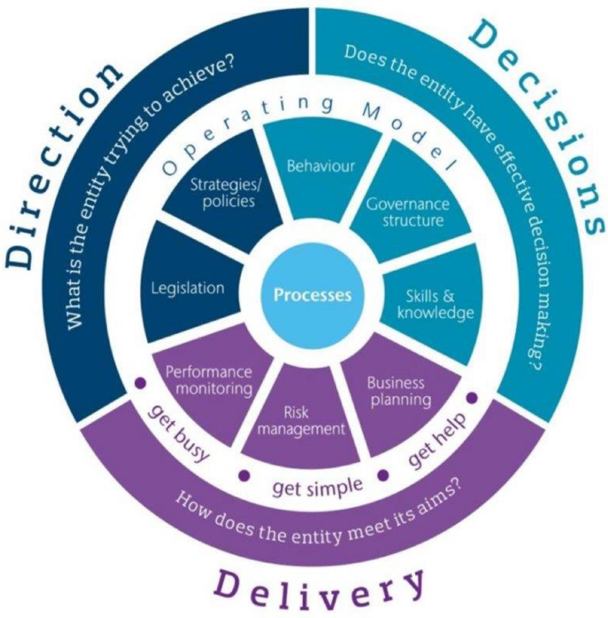
Key Benefits

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,

Cronfa Bensiynau CLWYD Pension Fund

- 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 work 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.

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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

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	

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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

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.

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	102	(24)
Total Administration Expenses	**2,146**	**2,261**	**114**
Employer Liaison Team			
Direct Costs	320	348	28
Total Employer Liaison Team	**320**	**348**	**28**
Total Costs	**28,701**	**32,813**	**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 7**2**% (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 2**8**% (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

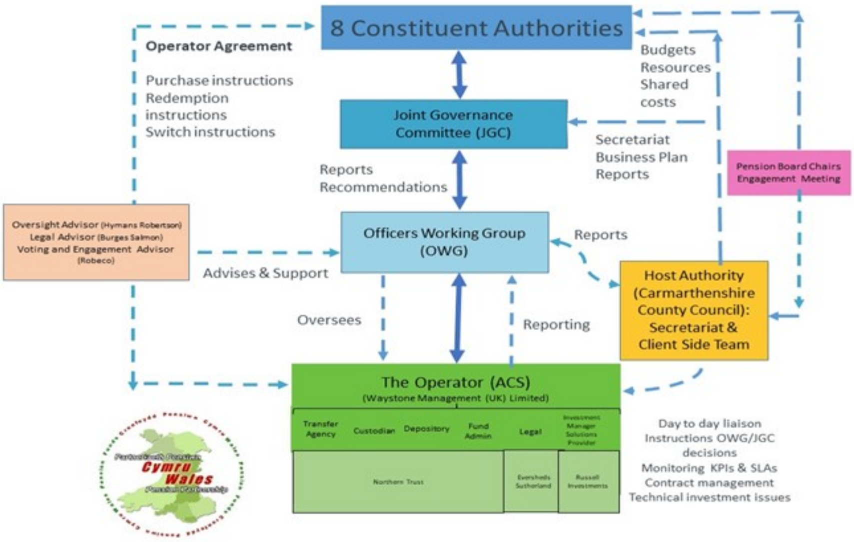
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history 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 at 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.

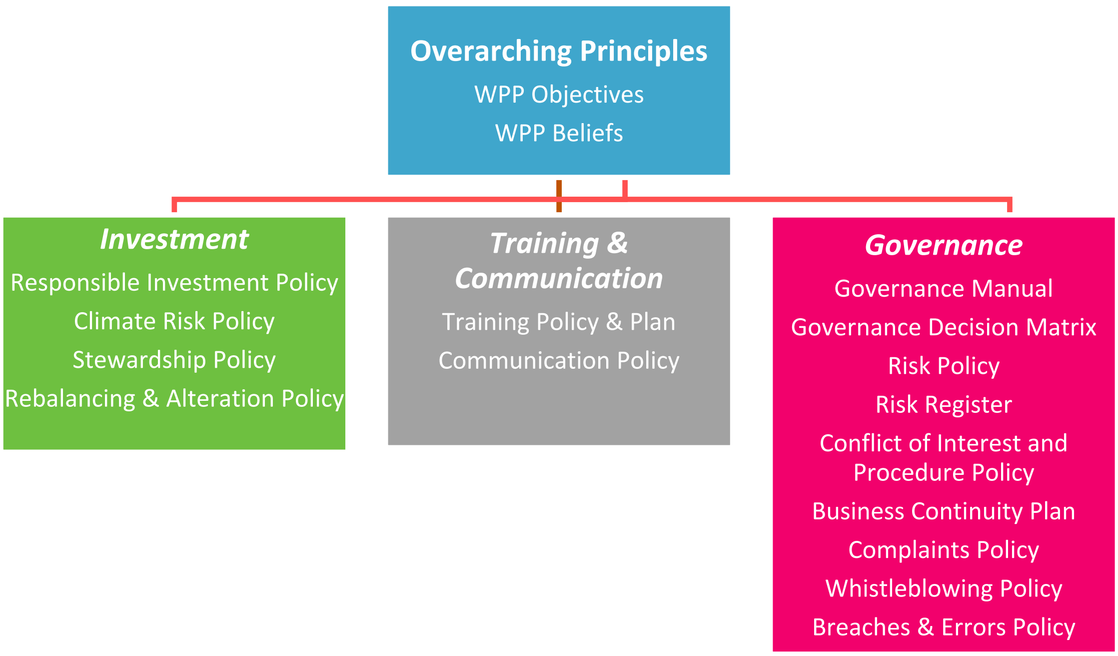
Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

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	• Private Market Asset Classes – Private Equity / Property • Levelling up / development opportunities	8 Jun 2023
Reporting	• TCFD reporting • Performance reporting	21 Sep 2023
Responsible Investment (RI)	• Voting & Engagement • RI within the WPP sub funds	13 Dec 2023
Market Understanding and Regulatory Requirements	• 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	%

	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

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						
Emerging Market Equities	115,712	5.0	0	0.0	**N/A**	**N/A**
Global Equities	130,027	5.7	344,501	13.9	**8.1**	**9.7**
Multi Asset Credit	230,688	10.0	251,529	10.2	**10.2**	**9.2**
WPP Private Markets	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	93352	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: Clwyd Pension Fund Accounts for the year ended 31 March 2024

Fund Accounts

2022/23 £000		Note	2023/24 £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	32,813
24,204	**Net (additions)/withdrawals including fund management expenses**		**49,132**
	Returns on Investments		
(34,269)	Investment income	12	(35,158)
198,262	Change in market value of investments	13A	(192,096)
163,993	**Net return on investments**		**(227,254)**
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

2022/23 £000		Note	2023/24 £000
2,199,900	**Investment Assets**	**13**	2,438,187
2,199,900	**Net Investment Assets**		**2,438,187**
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**	**19**	37,092
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 2023/24 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:

2022/23 No.		2023/24 No.
52	**Number of employers with active members**	**52**
	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 2023/24 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 2023/24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2023/24.

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 Judgements 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 judgements, 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
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements 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.	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.
Value of investments at level 3	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.	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

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

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £000
(6,244)	Individual transfers	(5,493)
(6,244)	**Total**	**(5,493)**

Note 9: Benefits Payable

By Authority

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £000
2,467	Administration costs	2,608
22,386	Investment management expenses	26,729
3,848	Oversight and governance costs	3,476
28,701	Total	**32,813**

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £50k for 2023/24 (£47k in 2022/23).

Note 11A: Investment Management Expenses

2023/24	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	3,185	0	1,132	4,317
Other investments				
Pooled property investments	1,870	207	163	2,240
Private equity and joint venture funds	7,002	1,749	68	8,820
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				147
Total				**26,729**

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

2022/23 £000		2023/24 £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

2022/23 £000		2023/24 £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	396
	Other investments	
4,083	Income from pooled property investments	2,972
363	Income from private equity and joint venture funds	1,093
4,292	Income from infrastructure funds	4,477
0	Income from timber & agriculture funds	18
3,091	Income from private debt	6,536
3,230	Income from impact / local funds	1,465
556	Interest on cash deposits	2,848
131	Other income	45
34,269		**35,158**

Note 13: Investments

2022/23 £000		2023/24 £000
	Investment Assets	
	Pooled Funds	
230,688	Multi asset credit	251,529
262,537	Diversified growth funds	283,267
663,896	Liability Driven Investment	652,916
159,281	Hedge Fund of Funds	121,128
130,027	Global equity	0
115,712	Emerging Market Equity	0
0	Sustainable Equity	344,501
	Other Investments	
133,422	Pooled property investments	112,830
205,945	Private equity and joint venture funds	222,848
130,888	Infrastructure funds	149,533
12,074	Timber and Agriculture	9,502
61,769	Private Debt	61,305
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 £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31st March 2024 £000
Investment Assets					
Pooled Funds					
Multi asset credit	230,688	7,152	0	13,689	251,529
Diversified growth funds	262,537	15,001	(16,829)	22,558	283,267
Liability Driven Investment	663,896	0	(128,831)	117,851	652,916
Hedge Fund of Funds	159,281	0	(48,152)	9,999	121,128
Global equity	130,027	588	(132,811)	2,196	0
Emerging Market equity	115,712	2,280	(119,314)	1,322	0
Sustainable equity	0	318,059	0	26,442	344,501
Other investments					
Pooled property investments	133,422	8,639	(9,899)	(19,332)	112,830
Private equity and joint venture funds	205,945	32,871	(29,193)	13,225	222,848
Infrastructure funds	130,888	30,946	(15,350)	3,049	149,533
Timber and Agriculture	12,074	0	(2,902)	330	9,502
Private Debt	61,769	8,873	(6,580)	(2,757)	61,305
Impact / Local	93,352	55,449	(11,448)	3,507	140,860
Total investment assets	2,199,591	479,858	(521,309)	192,079	2,350,219
Cash deposits	309				87,968
Currency Profit	0			17	
Total assets	2,199,900			192,096	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	2,375,910	490,335	(468,392)	(198,262)	2,199,591
Cash deposits	30,215				309
Total assets	2,406,125			(198,262)	2,199,900

Note 13B: Analysis by Fund Manager

2022/23			2023/24	
£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	652,961	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%	Other Fund Managers	657,989	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.

2022/23		Manager	Holding	2023/24	
£000	%			£000	%
664,205	30.2%	Insight	LDI Active 22 Fund	652,916	27.8%

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 2023/24 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	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		
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 these financial instruments	Not required	Not required
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	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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
does not take place				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 Special Valuation Guidance (March 2020)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited 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.

2023/24	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	100,507	115,382	85,632
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
		676,524	809,115	543,934

2022/23	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
Sustainable equity		344,501		344,501
Emerging Market Equity		0		0
Other investments				
Pooled property investments		12,323	100,507	112,830
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	1,665,664	676,524	2,438,187
Cash deposits	37,092			37,092
Total assets	133,091	1,665,664	676,524	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	9,594	1,574,330	615,976	2,199,900
Cash deposits	98,281			98,281
Total assets	107,875	1,574,330	615,976	2,298,181

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

	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	(5,798)	(18,009)	2,582	121,233
Private equity and joint venture funds	201,521	29,123	(50,454)	6,262	19,493	205,945
Infrastructure funds	114,553	13,112	(23,320)	14,939	2,319	121,603
Timber and Agriculture	14,125	0	(3,939)	261	1,627	12,074
Private Debt	52,592	12,572	(6,854)	3,459	0	61,769
Impact/Local	79,332	17,354	(9,515)	2,205	3,976	93,352
	594,356	82,386	(99,880)	9,117	29,997	615,976

	Value at 31st March 2023	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2024
	£000	£000	£000	£000	£000	£000
Other Investments						
Pooled property investments	121,233	8,639	(9,884)	(20,412)	931	100,507
Private equity and joint venture funds	205,945	32,871	(29,193)	471	12,754	222,848
Infrastructure funds	121,603	30,441	(15,350)	2,874	1,934	141,502
Timber and Agriculture	12,074	0	(2,902)	(482)	812	9,502
Private Debt	61,769	8,873	(6,580)	(2,757)	0	61,305
Impact/Local	93,352	55,449	(11,448)	(1,441)	4,948	140,860
	615,976	136,273	(75,357)	(21,747)	21,379	676,524

Note 16: Classification Of Financial Instruments

2022/23				2023/24		
Fair Value through profit and loss £000	Financial Asset at Amortised Cost £000	Financial liabilities at amortised cost £000		Fair Value through profit and loss £000	Financial Asset at Amortised Cost £000	Financial liabilities at amortised cost £000
			Financial Assets			
			Pooled Funds			
230,688			Multi asset credit	251,529		
262,537			Diversified growth funds	283,267		
663,896			Liability Driven Investment	652,916		
159,281			Hedge Fund of Funds	121,128		
130,027			Global equity	0		
0			Sustainable equity	344,501		
115,712			Emerging Market Equity	0		
			Other investments			
133,422			Pooled property investments	112,830		
205,945			Private equity and joint venture funds	222,848		
130,888			Infrastructure funds	149,533		
12,074			Timber and Agriculture	9,502		
61,769			Private Debt	61,305		
93,352			Impact/ Local	140,860		
309	98,281		Cash	87,968	37,092	
	0		Other investment balances		0	
	431		Debtors	1,378		
2,199,900	98,712	0		2,439,565	37,092	0
			Financial liabilities			
		(744)	Creditors			(1,237)
2,199,900	98,712	(744)		2,439,565	37,092	(1,237)

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 2023/24, 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	2,199,900	8.26%	2,381,564	2,018,235
As at 31 March 2024	2,438,187	8.71%	2,650,464	2,225,911

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 £1,798m representing 73% 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.

2022/23 £m		2023/24 £m
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:

2022/23 %		2023/24 %
2.70	Inflation/pension increase rate assumption	2.70
3.95	Salary increase rate	3.95
4.80	Discount rate	4.90

Note 19: Current Assets

2022/23 Restated £000		2023/24 £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 Debtors**	**9,370**
98,281	Cash balances	37,092
105,283	**Total Current Assets**	**46,462**

Note 20: Current Liabilities

2022/23 £000		2023/24 £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.

2022/23 £000		2023/24 £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.

2022/23 £000		2023/24 £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, five 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 2023/24 (£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 2023/24 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:

2022/23 £000		2023/24 £000
46	Short-term benefits	80
(176)	Post-employment benefits	101
(130)		**181**

Note 24: Contingent Liabilities and Contractual Commitments

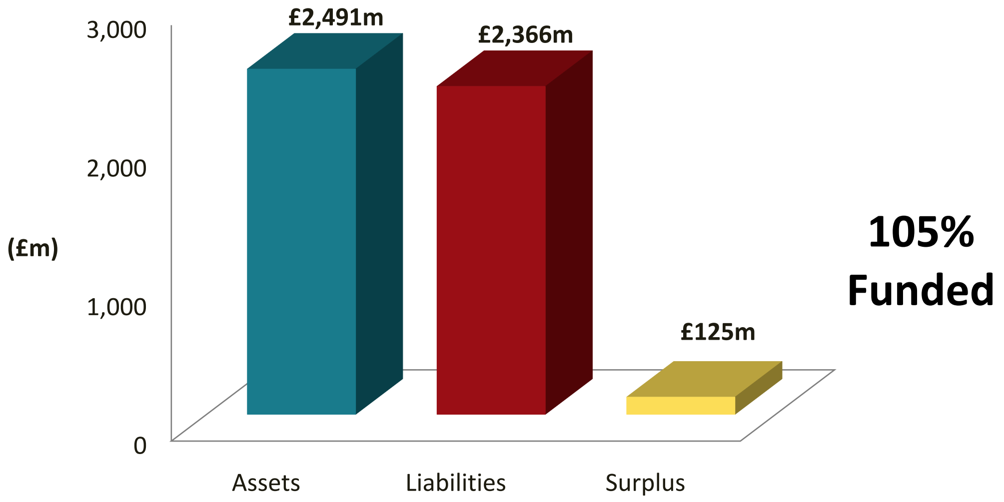
Outstanding capital commitments (investments) at 31 March 2024 were £439m (31 March 2023: £277m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the impact, private debt, private equity, property and infrastructure parts of the portfolio. The amounts ‘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
Mercer Limited, July 2024

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine / Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

High inflation over last two years The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

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 of the Clwyd Pension Fund

Opinion on financial statements

I have audited the financial statements of Clwyd Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

The Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Annual Report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Clwyd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Clwyd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the pension fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Clwyd Pension Fund's policies and procedures concerned with:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals and management override;
- Obtaining an understanding of Clwyd Pension Fund's framework of authority as well as other legal and regulatory frameworks that Clwyd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Clwyd Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Pension Fund Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Clwyd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Clwyd Pension Fund's in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
[Date]

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Return to front cover

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	15.0 – 40.0	0 – 45
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. The Fund has achieved good levels of total returns over the various periods shown. For the 1 year period, performance was ahead of the average LGPS fund but below the Fund's specific benchmark.

Period (Years)	Clwyd Pension Fund (% p.a.)	Clwyd Benchmark (% p.a.)	Average Local LGPS fund (% 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 over shorter-term time periods. Officers and the Committee have reviewed in detail how the portfolio performed, and the background to the performance is clearly understood.

The Fund assesses performance against a “stretch benchmark”, meaning that some of the Fund’s underlying mandates aim to outperform their respective benchmarks by a target amount. For example, the performance of the WPP Sustainable Active Equity Fund is assessed against an outperformance target of 2.0% p.a., which is in addition to the underlying benchmark.

The WPP Sustainable Active Equity Fund, which makes up the Fund’s full listed equity allocation, underperformed over recent periods mainly as a result of being underweight the ‘magnificent seven’ stocks. The performance achieved was in-line with the experience of other sustainability-oriented strategies. The investment in the WPP Sustainable Active Equity Fund has only been in place for a relatively short period of time, since July 2023. The Fund is committed to investing the assets in a sustainable way, over the long-term. There was some underperformance seen in the Fund’s private market assets over the 2023-24 period, albeit in-line with recent activity and wider market conditions.

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. The Fund has successfully enhanced these aspects over an extended period, whilst navigating challenging market conditions such as Brexit, COVID-19, and recent periods of relatively high inflation and interest rates.

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, and continues the period of steady improvement seen in the funding position over the last 10 years.

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.

[1]UK 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	-	-	-	-	-	-	-	

Cronfa Bensiynau CLWYD Pension Fund

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**

Cronfa Bensiynau CLWYD Pension Fund

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

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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.

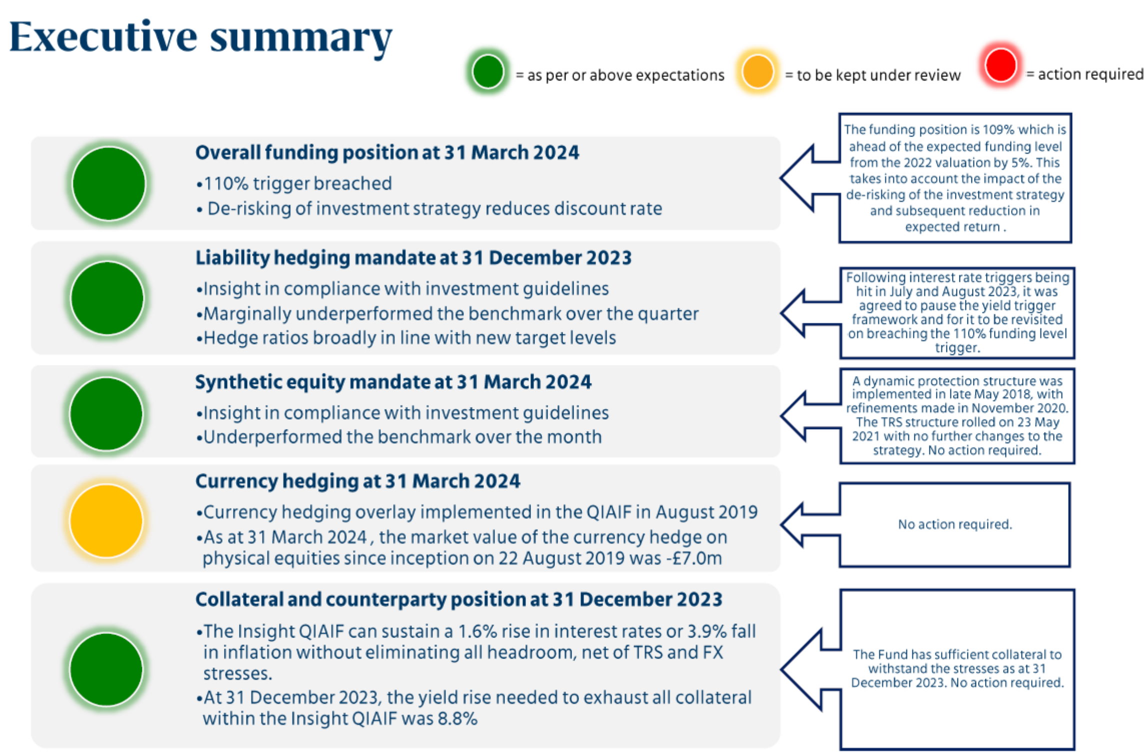
Over the year, the level of UK government bond (gilt) exposure within the framework increased as the Fund locked into these assets at attractive prices. This gilt exposure provides the Fund with a return above inflation in a low risk way, providing increased certainty of returns in an uncertain economic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



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

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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 website content review, the percentages have increased and are expected to return back to previous levels. This 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

TPRs 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:

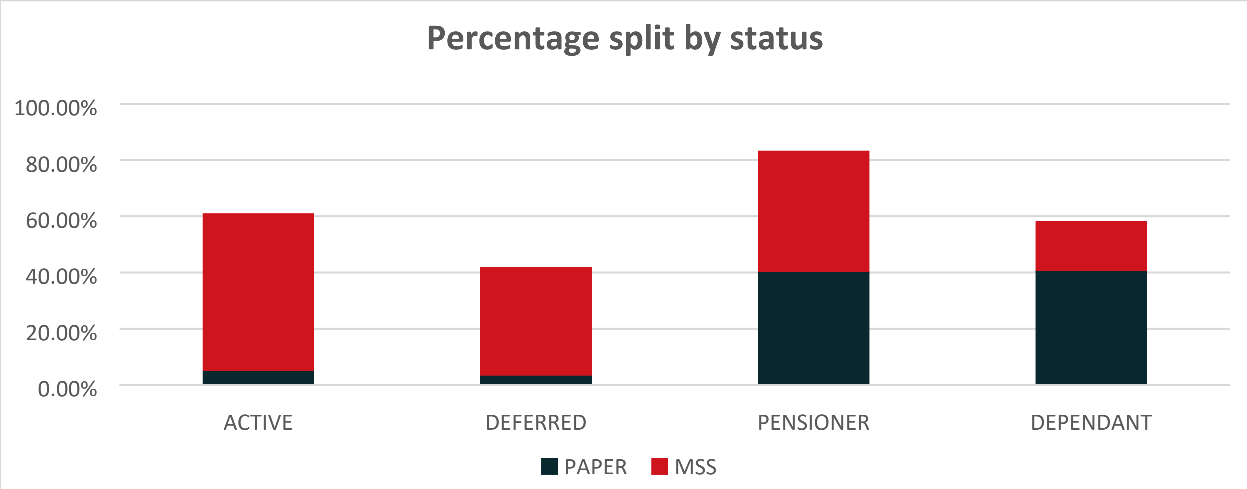
- update their personal details
- run estimates for retirement using their chosen retirement dates
- run estimates for cash equivalent transfer values (only available for deferred members to transfer their pension benefits to a new pension provider)
- amend their death grant beneficiaries
- request retirement 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.

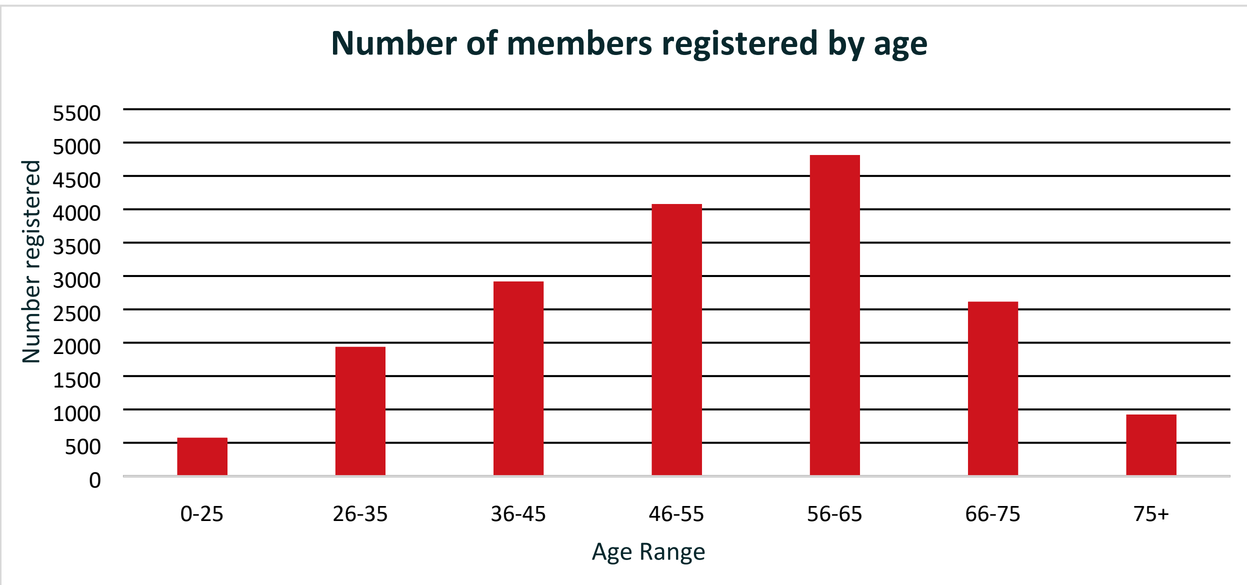
As of 31 March 2024, 55% of the Fund's membership had registered for MSS compared to 52% as at 31 March 2023. During the period 01/04/2023 to 31/03/2024 53% of registered members logged on to MSS. As of 31 March 2024, 19% of the Fund's membership had registered for paper post compared to 17% as at 31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



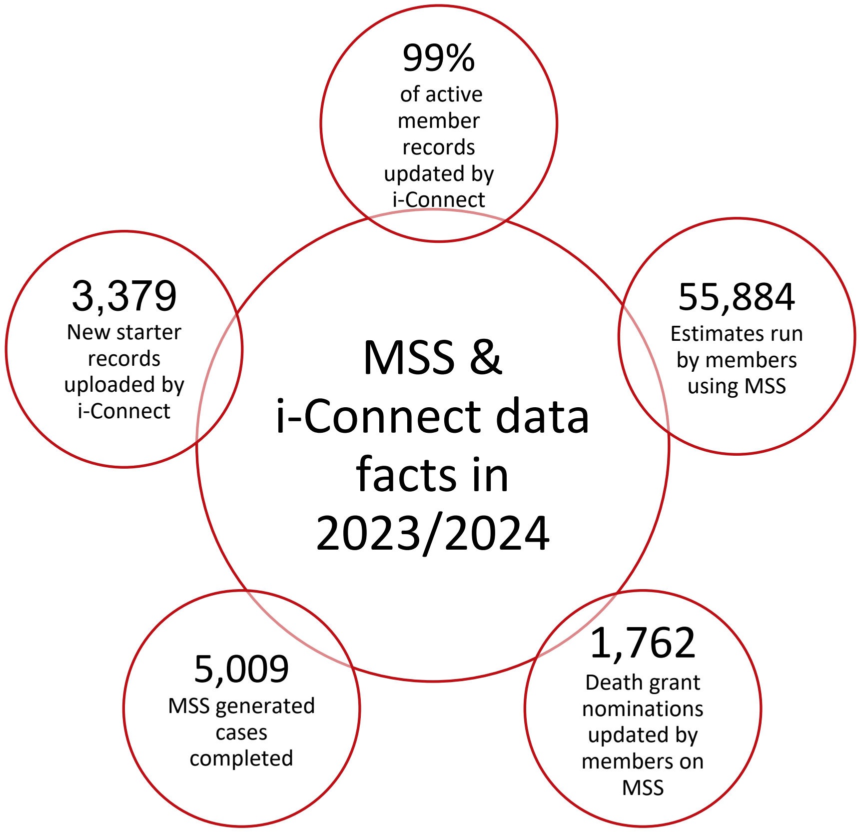
Of those members who are registered to use MSS, their age ranges vary across the board. The graph below shows the age demographic of our MSS users.



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

*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%*

Cronfa Bensiynau CLWYD Pension Fund

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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Cronfa Bensiynau CLWYD Pension Fund

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

2021/2022

Total cases completed

31,152

2022/2023

Total cases completed

30,540

2023/2024

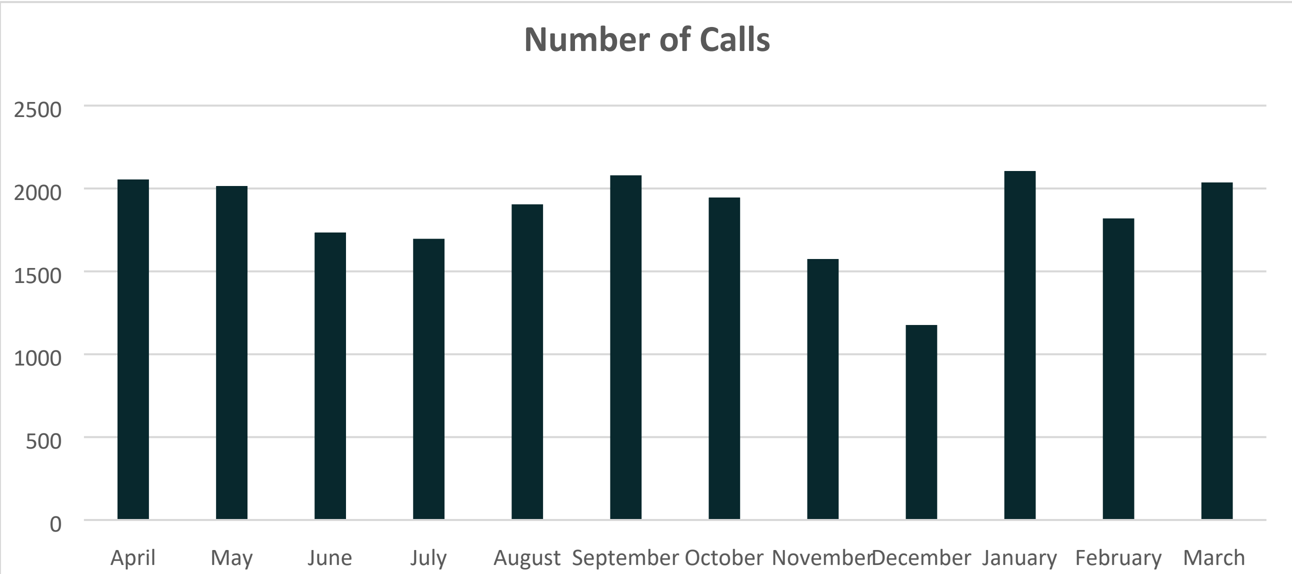
Total cases completed

29,356

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 IDRP.

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

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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.

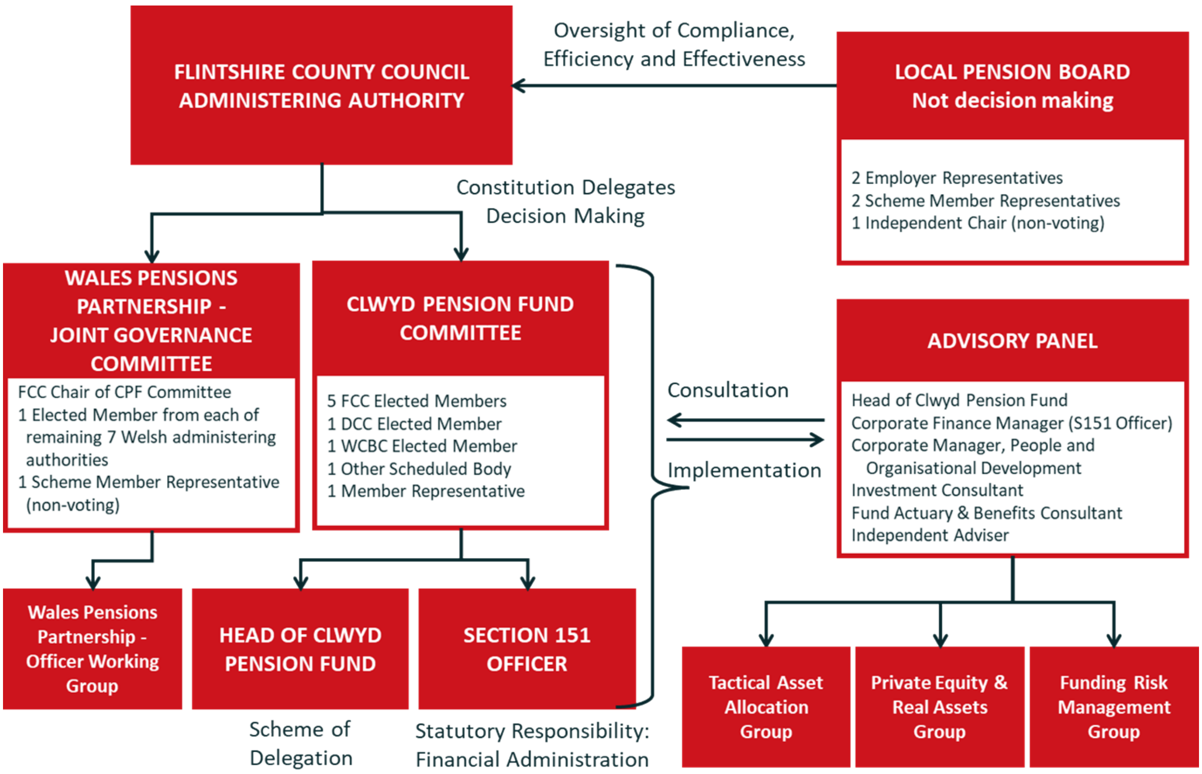
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The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

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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

Cronfa Bensiynau CLWYD Pension Fund

	(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.

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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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Archwilio Cymru
Audit Wales

Audit of Accounts Report – Clwyd Pension Fund

Audit year: 2023-24

Date issued: November 2024

Document reference: 4598A2024

About Audit Wales

Our aims and ambitions

Assure

the people of Wales that public money is well managed

Explain

how public money is being used to meet people's needs

Inspire

and empower the Welsh public sector to improve

Fully exploit our unique perspective, expertise and depth of insight

Strengthen our position as an authoritative, trusted and independent voice

Increase our visibility, influence and relevance

Be a model organisation for the public sector in Wales and beyond

Contents

Introduction

I have now largely completed my audit in line with my Detailed Audit Plan 2024 dated May 2024.

This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 annual report and accounts. My team have already discussed these issues with the Pension Fund Accountant.

I am very grateful to your officers for their support in undertaking this audit.

Adrian Crompton
Auditor General for Wales

Your audit at a glance

Audit opinions

We are proposing to give an unqualified opinion on the accounts.

We have nothing to report under the other sections of my report, i.e. those relating to going concern; other information; other matters; or matters I report by exception.

Significant issues

There are no misstatements in the accounts.

We have identified a need to improve the quality of draft accounts and working papers.

Materiality

Materiality	£24,846,000
Reporting threshold ('trivial')	£1,242,000

Areas of specific interest:

• Related party reimbursement of expenses to Flintshire County Council	£100,000
• Related party and Key Management Personnel disclosures	£1,000

Financial statements' materiality

Materiality £24.846 million

My aim is to identify and correct material misstatements, ie those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross assets of £2,484.649 million
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £1,242,000 calculated as 5% of materiality (called the 'trivial level').

Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Related party reimbursement of expenses to Flintshire County Council: £100,000
- Related party and Key Management Personnel disclosures: £1,000

Ethical compliance

Compliance with ethical standards

We believe that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves; and
- our objectivity has not been comprised.

In our Detailed Plan, we explained that the audit lead and an audit trainee are both deferred members of the pension fund.

Safeguards were put in place to mitigate any independence risks arising with all work undertaken by them reviewed by more senior staff who were aware of the potential risks to independence.

Proposed audit opinion

Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1.**

Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

Issues arising during the audit

Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

Uncorrected misstatements

There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.

Other significant issues

In the addition to misstatements identified during the audit we also report other significant issues to you.

The following significant issue was identified during the audit.

Quality of the draft accounts

We reported a risk within the Detailed Plan around changes in the key staff involved with the preparation of the financial statements. We noted that this could give rise to potential risks arising from insufficient capacity and skills within the finance team that could impact on the timely preparation and quality of the financial statements.

The quality of the draft accounts and working papers we received for audit were not of the quality received in prior years which was in part due to changes in key staff during the year as well as the agreed earlier draft accounts audit submission deadline. Our initial review of the draft accounts identified that there were arithmetic errors due to rounding's within the notes.

Our work identified issues and errors in the following areas:

- Disclosures within the 'Net Asset Statement';
- Note 1 'Description of the Fund';
- Note 2 'Basis of Preparation';
- Note 5 'Assumptions Made About the Future and Other Major Sources of Uncertainty';
- Note 11 'Management Expenses' and Note 11a 'Investment Management Expenses';
- Note 12 'Investment Income';
- Note 13 'Investments', Note 13a 'Reconciliation of Movements in Investments and Derivatives', Note 13b 'Analysis by Fund Manager';
- Note 15 'Fair Value of Investments', Note 15a 'Fair Value of Hierarchy', Note 15b 'Reconciliation of Fair Value Measurements Within Level 3';
- Note 16 'Classification of Financial Instruments';
- Note 17 'Nature and Extent of Risks Arising from Financial Instruments';
- Note 18 'Actuarial Present Value of Promised Retirement Benefits';
- Note 19 'Current Assets';
- Note 23 'Related Party Transactions';

- Note 24 ‘Contingent Liabilities and Contractual Commitments’; and
- Note 25 ‘Statement by the Consulting Actuary’.

The amendments arising from our audit are reported within Appendix 3.

Although the amendments identified did not lead to changes in the overall final position of the Pension Fund, considerable additional time was spent by the audit team to understand the differences in the disclosures and the supporting working papers to enable us to verify and audit the figures.

The additional time spent on the audit has impacted on our indicative fee reported in our Detailed Audit Plan in May 2024. We are currently discussing with management the impact that this considerable additional time had on our planned audit fee.

We intend to hold a post project learning meeting with the finance team following the completion of the audit, to identify opportunities for improving the quality of the draft 2024-25 accounts and the supporting working papers.

Appendix 1

Proposed audit report

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

Opinion on financial statements

I have audited the financial statements of Clwyd Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

The Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Annual Report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Clwyd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Clwyd Pension Fund will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the pension fund’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Clwyd Pension Fund’s policies and procedures concerned with:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals and management override;
- Obtaining an understanding of Clwyd Pension Fund’s framework of authority as well as other legal and regulatory frameworks that Clwyd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Clwyd Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Pension Fund Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Clwyd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Clwyd Pension Fund's in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton

Auditor General for Wales

[Date]

1 Capital Quarter

Tyndall Street

Cardiff, CF10 4BZ

Appendix 2

Letter of representation

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall St
Cardiff
CF10 4BZ

27 November 2024

Representations regarding the 2023-24 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2024, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practise on Local Authority Accounting in the United Kingdom 2023-24; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Clwyd Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Pension Fund Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 27 November 2024.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Gary Ferguson	Dan Rose
Corporate Finance Manager	Chair of Clwyd Pension Fund Committee
Date: 27 November 2024	Date: 27 November 2024

Appendix 3

Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

Value of correction	Accounts areas	Explanation
Various	**Annual Report** Testing identified that disclosures within the annual report were not consistent with the financial statements resulting in the following amendments: • Total net assets excluding cash: Reduced from £2,356,000,000, to £2,350,000,000. • Operating expenses other (supplies & Services): Increased from £101,000 to £102,000.	To ensure consistency between the Annual Report and the financial statements.
Various	**Net Assets Statement – Investment Assets** Testing identified that the value of the Pension Fund's cash held by Fund Managers was incorrectly included within 'Cash at Bank' instead of being shown within Investment Assets. Cash at Bank was also omitted from Note 19 'Current Assets'. The following amendments made: • 'Net Assets Statement': 'Investment Assets' increased from £2,350,219,000 to £2,438,187,000. • Net Assets Statement: Cash at Bank decreased from £125,060,000 to £37,092,000. • Note 19 'Current Assets': Increased by £37,092,000 at 31st March 2024 from £9,370,000 to £46,462,000. • Note 19 – 'Current Assets' at 31st March 2023. Increased prior year comparator from £7,002,000 to £105,283,000.	To correct the misclassification of cash held by the Pension Fund's fund managers and cash at bank.
Various	**Fund Accounts** Testing identified that Note 11 'Management Expenses - investment management expenses' of £26,962,000 did not reconcile to Note 11a 'Investment Management expenses' of £26,729,000 resulting in a discrepancy of £233,000. This discrepancy was due to an error when calculating the amount of management expenses that had been netted off	To ensure management expenses were accurately disclosed and were consistent with supporting disclosure notes.

	income by investment managers before paying over to the pension fund.
	
	The following amendments made:
	• Fund Accounts:
	  ○ 'Management Expenses': Decreased from £33,045,000 to £32,813,000.
	  ○ 'Investment Income': Increased from (£34,972,000) to (£35,158,000).
	  ○ 'Change in market value of investments': Decreased from (£192,514,000) to (£192,096,000).
	• Note 11 'Management Expenses':
	  ○ 'Investment management expenses': Decreased from £26,962,000 to £26,729,000.
	  ○ Oversight and governance costs: Increased from £3,475,000 to £3,476,000.
	• Note 11a 'Investment Management Expenses':
	  ○ 'Pooled Funds' total: Decreased from £4,318,000 to £4,317,000.
	  ○ 'Private equity' and' joint venture performance related fees': Increased from £1,748,000 to £1,749,000.
	  ○ 'Custody Fees' increased from £146,000 to £147,000.
	• Note 12 Investment Income:
	  ○ 'Income from sustainable equity': Decreased from £411,000 to £396,000.
	  ○ 'Income from pooled property investments': Decreased from £3,074,000 to £2,972,000.
	  ○ 'Income from infrastructure funds': Increased from £4,368,000 to £4,477,000.
	  ○ 'Income from impact/local funds': Increased from £1,289,000 to £1,465,000.
	
	The amendments also impacted on Note 13a 'Reconciliation of Movements in Investments' and Derivatives disclosure of sales during the year and the change in market value which are noted below.	

Various	**Note 13 – 'Investments'** Testing identified the following issues: • The disclosure of investments into sub-classifications of those within the Wales Pension Partnership and investments outside of the partnership were not compliant with the CIPFA Code of Practice.	To ensure disclosures were compliant with the CIPFA Code of Practice and were consistent with other supporting notes.

	• Note 13 'Investments' did not reconcile to note 13a 'Reconciliation of Movements in Investments and Derivatives'. The following amendments were made: • 'Globel equity' – Decreased from £344,501,000 to £0. • 'Sustainable equity' – Increased from £0 to £344,501,000. • Sub-categories of investments amended from within and outside of the Wales Pension Partnership and Pooled Funds and other investments. Investments values included within these sub-categories were amended as follows: ○ Wales Pension Partnership total investments of £634,874,000. Disclosure increased for Pooled Funds to £1,653,341,000.	
Various	**Note 13A – 'Reconciliation of Movements in Investments and Derivatives'** Testing identified the following issues: • Note 13 Investments did not reconcile to note 13A. • The change in market value reduced by £418,000 due to an error in calculating management expenses (within Note 11). • The arithmetic within the note was incorrect. Following amendments made: • 'Multi asset credit – Purchases': Decreased from £7,153,000 to £7,152,000. • 'Diversified growth fund – Purchases': Increased from £15,000,000 to £15,001,000. • 'Diversified growth fund – Sales': Decreased from (£17,029,000) to (£16,829,000). • 'Diversified growth fund – Change in market value': Decreased from £22,758,000 to £22,558,000. • 'Liability Driven investment – Sales': Decreased from (£128,847,000) to (£128,831,000). • 'Liability Driven investment – Change in market value': Decreased from £117,868,000 to £117,851,000. • 'Hedge Fund of Funds – Sales': Increased from (£48,150,000) to (£48,152,000). • 'Global equity – Sales': Decreased from (£132,812,000) to (£132,811,000). • 'Global equity – Change in market value': Decreased from £2,197,000 to £2,196,000. • 'Emerging Market equity – Change in market value': Increased from £1,321,000 to £1,322,000.	To ensure management expenses were accurately disclosed within the accounts. To ensure the disclosure was consistent with other supporting notes. To correct the arithmetic within the disclosure.

	• ‘Pooled property investments – Sales’: Increased from (£9,798,000) to (£9,899,000). • ‘Pooled property investments – Change in market value’: Decreased from (£19,433,000) to (£19,332,000). • ‘Private equity and joint venture funds – Purchases’: Decreased from £32,872,000 to £32,871,000. • ‘Infrastructure funds -Sales’: Decreased from (£15,459,000) to (£15,350,000). • ‘Infrastructure funds – Change in market value’: Decreased from £3,158,000 to £3,049,000. • ‘Timber and Agriculture – Sales’: Decreased from (£2,921,000) to (£2,902,000). • ‘Timber and Agriculture – Change in market value’: Decreased from £348,000 to £330,000. • ‘Private debt – Change in market value’: Increased from (£2,756,000) to (£2,757,000). • ‘Impact/Local – Sales’: Decreased from (£11,624,000) to (£11,448,000). • ‘Impact/Local – Change in market value’: Decreased from £3,683,000 to £3,507,000. • ‘Currency profit’ increased from £16,000 to £17,000.	
£45,000	**Note 13b – Analysis By Fund Manager** Testing identified that the value of investments held with Insight Fund Manager was incorrectly stated as it did not include the investment held in Timber/Agriculture. The value increased from £652,916,000 to £652,961,000.	To correct the accuracy of the disclosure.
£12,322,000	**Note 15 – Fair Value of Investments. Sensitivity of assets valued at level 3** Testing identified an investment within Pooled Property that was incorrectly classified as fair value Level 3. Pooled property investments value within level 3 value at 31st March 2024 decreased by £12,322,000. The amendment resulted in the following disclosures within note 15 sensitivity of assets valued at level 3 being amended: • ‘Pooled property investments – Potential value on increase’: Decreased from £129,528,000 to £115,382,000. • ‘Pooled property investments – Potential value on decrease’: Decreased from £96,131,000 to £86,632,000.	To correct the fair value misclassification of one investment.

Various	**Note 15A – Fair Value of Hierarchy** Testing identified the following four issues which impacted on the disclosure note: • The value was incorrectly disclosed as £344,501,000 within Global equity as the correct classification of this value of investment was Sustainable equity. • An investment within Pooled Property was incorrectly classified as fair value level 3 based on significant unobservable inputs but should have been classified as fair value level 2 using observable inputs. • Note 15a 'Fair Value of Hierarchy' did not reconcile to Note 13 'Investments'. • The arithmetic within the note was incorrect. These issues resulted in the following amendments to the note: • Global equity disclosure of £344,501,000 - The title was amended to 'Sustainable equity'. • 'Pooled property investments – Using observable inputs': Increased from £0 to £12,323,000. • 'Pooled property investments – Significant unobservable inputs': Decreased from £112,829,000 to £100,507,000. • 'Pooled property investments – Total': Increased from £112,829,000 to £112,830,000.	To correct the fair value misclassification of one investment. To ensure that the disclosure was consistent with other supporting notes. To correct the arithmetic within the disclosure.
Various	**Note 15b 2022-23 comparatives - Reconciliation of fair value measurements within Level 3** Testing identified that the prior year comparator for Note 15B did not agree to the 2022-23 audited accounts. The following amendments were made to ensure agreement to the prior year audited accounts: • Pooled property investments – Sales: Increase from (£4,388,000) to (£5,798,000). • Pooled property investments – Unrealised gains and losses: Increase from (£7,230,000) to (£18,009,000). • Private equity and joint ventures – Sales: Increase from (£47,568,000) to (£50,454,000). • Private equity and joint ventures – Unrealised gains and losses: Increase from £3,376,000 to £6,262,000. • Infrastructure funds – Sales: Increased from (£22,168,000) to (£23,320,000). • Infrastructure funds – Unrealised gains and losses: Increase from £13,787,000 to £14,939,000.	To correct the prior year comparator to ensure agreement with the 2022-23 audited accounts.

	• Timber and Agriculture – Sales: Increase from (£3,796,000) to (£3,939,000). • Timber and Agriculture – Unrealised gains and losses: Increase from £118,000 to £261,000. • Private Debt – Sales: Increase from (£6,267,000) to (£6,854,000). • Private Debt – Unrealised gains and losses: Increase from £2,872,000 to £3,459,000. • Impact/Local – Sales: Increase from (£7,437,000) to (£9,515,000). • Impact/Local – Unrealised gains and losses: Increase from £127,000 to £2,205,000.	
Various	**Note 15B – Reconciliation of fair value measurements within Level 3** Testing identified four issues which impacted on this disclosure note as follows: • Note 15b movements in fair value did not reconcile to Note 13a investments. Total sales disclosure increased from (£63,532,000) to (£75,357,000). Total unrealised gains and losses reduced from (£33,438,000) to (£21,747,000). • An investment within Pooled Property was incorrectly classified as fair value Level 3. Pooled property investments within level 3 value at 31st March 2023 reduced by £12,189,000 and at 31st March 2024 reduced by £12,322,000. • The arithmetic within the note was incorrect. These issues resulted in the following amendments to the note: • 'Pooled Property investments – Value' at 31st March 2023: Decrease from £133,422,000 to £121,233,000. • 'Pooled Property investments – Sales': Increased from (£8,676,000) to (£9,884,000). • 'Pooled Property investments – Unrealised gains and losses': Decreased from (£21,486,000) to (£20,412,000). • 'Pooled Property investments – Value' at 31st Match 2024: Decrease from £112,829,000 to £100,507,000. • 'Private equity and joint venture funds – Purchases': Decreased from £32,872,000 to £32,871,000. • 'Private equity and joint venture funds – Unrealised gains and losses': Decreased from (£4,604,000) to £471,000. • 'Infrastructure funds – Sales': Increased from (£14,172,000) to (£15,350,000).	To correct the movements in fair value in note 15B to reconcile to Note 13A Investments. To correct the fair value misclassification of one investment. To correct the arithmetic within the disclosure.

	• 'Infrastructure funds – Unrealised gains and losses': Increased from £1,696,000 to £1,934,000. • 'Timber and Agriculture – Sales': Increased from (£2,470,000) to (£2,902,000). • 'Timber and Agriculture – Unrealised gains and losses': Decrease from (£914,000) to (£482,000). • 'Private Debt – Purchases': Decreased from £8,874,000 to £8,873,000. • 'Private Debt – Sales': Increased from (£5,954,000) to (£6,580,000). • 'Private Debt – Unrealised gains and losses': Decrease from (£3,383,000) to (£2,757,000). • 'Impact/Local – Sales': Increased from (£8,143,000) to (£11,448,000). • 'Impact/Local – Unrealised gains and losses': Decreased from (£4,746,000) to (£1,441,000).	

Various	**Note 16 – Classification of Financial Instruments**
	Testing identified numerous issues as follows:
	• Note 16 was inconsistent with note 13A for the market values of types of investments:
	  ○ Value incorrectly disclosed of £38,845,000 within Emerging Market Equity. The value should have been nil.
	  ○ Value incorrectly disclosed of £344,501,000 within Global Equity. The value should have been nil and is should have been classified as Sustainable Equity.
	• Financial Instrument classification category of Loans and Receivables was not compliant with the CIPFA Code of Practice. This disclosure was amended to Financial Asset at Amortised Cost
	• Classification of debtors of £506,000 as loans and receivables was not compliant with the relevant accounting standard IFRS9 and should have been classified as Fair Value through Profit and Loss.
	• Debtors disclosure was understated by £475,000 as testing identified part of the debtor balance that was not included within the disclosure actually fell within the scope of IFRS9 disclosure requirements.
	• Creditors disclosure understated by (£443,000) as testing identified part of the creditor balance that was not included within the disclosure actually fell within the scope of IFRS9 disclosure requirements.
	
	Following amendments made:
	• Global equity – Decreased from £344,501,000 to £0.
		To ensure the disclosures complied with the requirements of the CIPFA Code of Practice and they were consistent with other supporting notes.

	• Sustainable equity – Increased from £0 to £344,501,000. • Emerging Market equity – Decreased from £38,845,000 to £0. • Private equity and joint venture funds - Increased from £204,294,000 to £222,848,000. • Infrastructure funds – Increased from £133,891,000 to £149,533,000. • Private debt – Increased from £56,657,000 to £61,305,000. • Debtors at fair value through profit and loss – Increased from £397,000 to £1,378,000. • Debtors classified as loans and receivables – Decreased from £506,000 to £0. • Creditors – Increased from (£794,000) to (£1,237,000).	
Various	**Note 17 – Nature and Extent of Risks arising from Financial Instruments** Testing identified that the disclosure within the sub-heading of Other Price Risk: Sensitivity Analysis for the movement in market price incorrectly included cash at bank within the current and prior year disclosures: • Assets exposed to price risk at 31st March 2023 reduced from £2,298,181,000 to £2,199,900,000. • Assets exposed to price risk at 31st March 2024 reduced from £2,475,279,000 to £2,438,187,000. Testing identified that the disclosure within the sub-heading of Liquidity Risk contained two errors: • Investment in Head Fund of Funds was omitted of £121,129,000. • A Pooled Property Investment of £12,323,000 was incorrectly classified as a fair value level 3 and consequently was omitted from the disclosure of liquid asset values which is based upon the fair value level 1 and 2 assets. The amendments for the errors increased the disclosure of liquid assets from £1,665,000,000 (67% of total fund assets) to £1,798,000,000 (73% of total fund assets).	To ensure the accuracy of the disclosures.
Narrative amendment	**Note 23 – Related Party Transactions** Testing identified that the accounts disclosure did not reflect the number of Clwyd Pension Fund elected members who had joined the Clwyd Pension Scheme. The	To ensure that the correct number of members who are part of the Pension

	number of members was therefore amended from four to five.	Fund was correctly stated.
£19,000,000	**Note 24 Contractual Commitments** Testing identified the following issues: • Four errors were identified from our sample testing resulting in the disclosure being understated by £17,000,000. • The working paper calculation used for the disclosure was based upon an old methodology. Resulting in an understatement of £2,000,000.	To correct the disclosure of future contractual commitments.
Narrative amendment	**Note 25 – Statement by the Consulting Actuary** Testing identified that the statement by the consulting actuary excluded the appendix detailing additional considerations of the actuary. An amendment was made to the statement to include the appendix.	To ensure the disclosure was complete.
Various	There were several other minor amendments and disclosure updates because of our work including the following: • Note 1: the number of employers with active members increased from 50 to 52. • Note 2: narrative updated regarding accounting standards issued but not yet adopted. • Note 5: disclosure on the effect on the actuarial present value of promised retirement benefits if results differ from assumptions was updated from 31st March 2022 to be based on assumptions at 31st March 2024. • Note 11: Management Expenses narrative updated to reflect that external audit fees increased from £46,000 to £50,000. • Note 18: Actuarial Present Value of Promised Retirement Benefits - present value and fair value of scheme assets were incorrectly disclosed in thousands. They were corrected to reflect millions. • Arithmetic errors within the notes of the accounts.	To ensure accuracy of disclosures within the accounts.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD*, and our Chair acts as a link to our Board on audit quality. For more information see our Audit Quality Report 2023.

Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our Good Practice work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our newsletter which provides you with regular updates on our public service audit work, good practice, and events.
	our publications which cover our audit work completed at public bodies.
	information on our forward performance audit work programme 2023-2026 which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various data tools and infographics to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our Annual Plan 2024-25 and Our Strategy 2022-27.

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Philip Latham
Head of the Clwyd Pension Fund / Pennaeth Cronfa Bensiynau Clwyd

Cronfa Bensiynau
CLWYD
Pension Fund

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street
Cardiff
CF11 9LJ

27 November 2024

Final Letter of Representation

Representations regarding the 2023-24 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2024, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Clwyd Pension Fund and involves:

  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Pension Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 27 November 2024.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Gary Ferguson	Dan Rose
Corporate Finance Manager	Chair of Clwyd Pension Fund Committee
Date: 27 November 2024	Date: 27 November 2024

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday 27 November 2024
Report Subject	Update on National Developments
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the outcomes of the Autumn Budget, and the latest position on the Government's Pension Review, following the Chancellor's Mansion House speech on 14 November 2024.

Autumn Budget

- The Chancellor delivered the Labour Government's first Budget on 30 October 2024. The focus was a package of tax increases amounting to more than £40 billion (including increases to Employer's National Insurance Contributions and Capital Gains Tax and changes to the way Inheritance Tax will be assessed).
- The budget also confirmed that the assets and liabilities of funded public service pension schemes, including the LGPS, will be added to the Government's balance sheet and will see public debt being measured by Public Sector Net Financial Liabilities (PSNFL) going forwards, instead of Public Sector Net Debt (PSND).

Pension Review

- Following on from the Chancellor's Mansion House speech on 14 November 2024, alongside the Government publishing its interim report on Phase One of the Pensions Investment Review, a 9 week consultation was published by MHCLG for the LGPS titled "Fit for the future".
- The Government is seeking views on proposals relating to LGPS investments and covers areas of asset pooling, UK and local investment, and governance.
- The Government's view is that assets under management need to be larger than the existing pools in order to deliver efficiency of scale. It may result in the number of existing pools reducing through pool mergers, an idea which is mentioned in the Consultation. The Consultation notes that as the WPP operates within a devolved nation, and that it may "make sense" for the Welsh LGPS funds to continue as a separate pool, albeit it also mentions the need for pools to be FCA regulated and for 100% of assets to be transitioned by March 2026.

A workshop has been scheduled for after the Committee meeting to discuss the way forward with the Pensions Review.

RECOMMENDATIONS	
1	That the Committee note the report and the various areas that will need to be considered further.

REPORT DETAILS

1.00	2024 Autumn Budget and Pensions Review Update
1.01	**2024 Autumn Budget** The Chancellor delivered the Labour Government's first Budget on 30 October 2024. The focus was a package of tax increases amounting to more than £40 billion (including increases to Employer's National Insurance Contributions and Capital Gains Tax and changes to the way Inheritance tax will be assessed). The budget also confirmed that the assets and liabilities of funded public service pension schemes, including the LGPS, will be added to the Government's balance sheet and will see public debt being measured by PSNFL going forwards instead of Public Sector Net Debt (PSND). These points are considered in more detail below. **Inheritance Tax** Despite speculation in the lead up to the Budget, the biggest pension-related change is that from 6 April 2027 most unused pension funds and death benefits will form part of an individual's estate for Inheritance tax purposes. The Government's intention is to align their tax treatment with other types of inherited assets and remove the incentive to use pensions as a tax-planning vehicle for wealth transfer after death. The new measures will cover payments from registered pension schemes following the death of a member where the recipient is not the spouse or civil partner. The Government plans to bring all death benefits from these types of schemes within scope, with the exception of dependants' scheme pensions and charity lump sum death benefits. The Government has confirmed that all life policy products purchased with pension funds or alongside them as part of a pension package offered by an employer will not be in scope. This may mean that separately insured lump sum death benefits are out of scope. The Government has published a consultation on the technical aspects of how pension scheme administrators (PSAs) will report and pay any inheritance tax due on unused pension funds and death benefits from 6 April 2027. These responsibilities currently sit with personal representatives (PRs) thus increasing the burden on PSAs. PSAs and PRs will be required to share information with one other including notification of death and sharing of details of unused pensions. The consultation runs until 22 January 2025. The consultation is limited to the implementation of the new regime, rather than whether to implement it and what benefits should be in scope. The Fund is currently considering its own response to this consultation, whether this will be a stand-alone response or as part of a combined response prepared alongside other LGPS administering authorities. The

	consultation response will be completed under urgency delegations given the January deadline. Depending on the outcomes of the consultation, systems and process will require updating and officers trained on the new rules and implications for members. Member communications (whether direct or via the website) will also need to be updated, in particular a recommendation for members to review their expression of wish forms on a regular basis. **Public sector net financial liabilities (PSNFL)** The budget also confirmed that the assets and liabilities of funded public service pension schemes, including the LGPS, will be added to the Government's balance sheet and will see public debt being measured by PSNFL going forwards instead of Public Sector Net Debt (PSND). This means that LGPS funding levels will form part of the assessment of PSNFL and will be assessed as part of the five-yearly election cycle. At a time when funding levels are already at an all-time high across the Scheme as a whole, continuation of these levels over the coming years will ultimately help to reduce the UK's debt level. **Increase to Employer's National Insurance** The Budget also saw an increase in the level of National Insurance Contributions payable by employers although this is expected to be funded by HMT for public sector bodies. The level of Government funding increase for the sector will be an important consideration of contribution affordability for Councils although it is unlikely the employers will have clarity on this until the next Spending Review in March 2025. For employers who will not get the NI increase funded, affordability will be impacted and will be part of employer contribution discussions. This will be considered within the covenant assessments of employers as part of the valuation process.
1.02	**Pension Investment Review** The Government published its interim report on phase one of the Pensions Investment Review on 14 November 2024, following on from the Chancellor's Mansion House speech. In tandem with this, MHCLG published an open consultation on reform of the LGPS with a closing date of 16 January 2025. This follows on from the Call For Evidence issued by the Government in September (the Fund's response to which can be found in Appendix 1). Details of the speech are available in this link: Mansion House 2024 speech - GOV.UK **<u>Summary of changes announced</u>** The speech focused on the UK's financial services sector, and the LGPS element of it was limited. The topic of private sector defined contribution (DC) pensions took most of the pensions-related airtime and are clearly

	where there is considerable scope for consolidation. It remains to be seen whether this change impacts any plans for pensions dashboards. It appears new legislation for DC funds aims to enable smaller funds to invest in a wider range of assets including large infrastructure and private equity projects, as well as endeavouring to achieve better outcomes for the members of those schemes. While the LGPS only got a short mention in the speech, a detailed consultation has been published which will explore the Government's key areas of focus in more detail. The consultation builds on the findings of the July 2024 Pensions Investment Review, the report of which was also published: Pensions_Investment_Review_interim_report.pdf. Ahead of the speech, there was a lot of speculation around what would be included. Based on the actual speech, the Consultation published shortly afterwards and the Government's associated press release, initial observations are that: • The Consultation proposes that the pools would need to be regulated by the Financial Conduct Authority (FCA) going forward. This is set out in the Consultation, along with a number of other proposed mandated minimum standards. Currently three of the pools are not set up this way: Wales Pension Partnership ("WPP"), Northern and ACCESS. • The Consultation notes that as the WPP operates within a devolved nation and has separate partnerships with the Welsh Joint Committees, it may "make sense" for the Welsh LGPS funds to continue as a separate pool. • While the Government recognises some of the key successes in pooling to date, their research suggests that assets under management need to be larger than the potential size of some of the 8 existing pools in order to deliver the "megafund" outcomes they are seeking. It may evolve that the 8 in existence currently will reduce in number through pool mergers, an idea which is mentioned in the Consultation but by no means mandated. At this stage the Consultation focuses on the ways in which the pools are set up and managed rather than reducing the number of pools. • The speech and Consultation propose that LGPS funds will be required to pool **all** their assets (including legacy private market assets) into these pools, and make the other required pooling changes, all by 31 March 2026. This is a stronger stance than has previously been in place. • Whilst Administering Authorities would remain responsible for setting an investment strategy for their fund, they would be required to fully delegate the implementation of that strategy to the pool, and to take their principal advice on their investment strategy from the pool. • For now at least, merger of individual LGPS funds does not appear to be a focus for the government and there are no specific questions on this in the Consultation. However, in the Introduction section of the Consultation the government recognises "friendly"

mergers have had good outcomes and encourages funds to consider if this could benefit them.

- It would appear that the actions from the Scheme Advisory Board's "Good Governance" review will be progressing in 2025, with a key focus to improve investment outcomes, although the proposals set out in the Consultation cover all areas of governance and we provide a brief summary of this below.

Consultation

The LGPS consultation relating to England and Wales only, has a nine week window, closing on 16 January 2025. The link to the consultation is here: Local Government Pension Scheme (England and Wales): Fit for the future - GOV.UK

The proposal and questions are included in Appendix 2.

The consultation lists 18 proposals under the three areas of LGPS pooling, Local investment and Governance of funds and pools.

The proposals are summarised below:

- Setting minimum standards for investment pools, including:
    - Full delegation of implementation of strategy to the pool
    - Pools providing strategy advice to the administering authorities
    - Pools required to be authorised and regulated by the FCA

- Setting requirements for local investment, including:
    - Setting a target range for local investment
    - Working with relevant authorities to identify local opportunities
    - Pools to carry out due diligence and make decisions on whether to invest in those opportunities

- Improving governance
    - Minimum requirements for Committee member knowledge and skills
    - Implement other recommendations from the Good Governance Review, including requirement to appoint a senior LGPS officer and carry out an independent governance review every two years
    - Requirements around representation and transparency of pools

This is a comprehensive consultation with 126 paragraphs and 30 separate questions to answer. It is somewhat disappointing to see the term "fragmentation and inefficiency" used again in the introductory statements with regards to the LGPS.

A critical point to note is that each pool is invited to demonstrate a clear path to meeting the requirements outlined in the Consultation by 1 March

2025, detailing how the Pool will deliver the proposed pooling model and complete transfer of legacy assets to the pool (including views of the costs, timeline and potential barriers and solutions) including commenting on the viability of doing this by the 31 March 2026 deadline. This is expected to be particularly challenging for the Administering Authorities in non-FCA regulated pools, as is the case for WPP.

Given the current structure of the WPP and the proposed changes to how investment decisions will be reached and implemented, there are obviously a number of implications on the Fund and the way its investment and wider Responsible Investment objectives will be achieved going forwards.

The Fund will need to ensure that the governance requirements set out in the consultation are met. However, given the Fund is already aligned with the Scheme Advisory Board's Good Governance recommendations many of those requirements set out in the consultation have already been achieved (coupled with the work the Fund has been undertaking on the TPR's General Code compliance).

Next Steps

Careful consideration will need to be given by officers (with support from WPP, and advisors) on how the Fund responds to this consultation and what input is given to the proposal WPP have been invited to submit. At the same time, consideration will also need to be given to what messages are communicated to members/employers and other stakeholders given the period of uncertainty that is likely to lie ahead.

The Fund intends to respond to the consultation and the response will need material input from officers and committee as well as advisers over the coming weeks given the critical nature and far-reaching consequences for the Fund and its employers/members.

The Committee are reminded that, at the September Committee meeting, it was agreed that responding to consultations relating to the Pensions Review which are out of the Committee cycle would be delegated to the Head of Clwyd Pension Fund, subject to:

- all draft responses would be issued to Committee members to provide any comments so that they could be incorporated
- if officers or the Committee consider that the issue requires more attention than an email, a Special Meeting may be called.

A workshop has been scheduled for the afternoon of this Pension Fund Committee meeting to discuss the way forward including consideration of the following:

- Impact on the Fund's funding and investment strategy, including the need to be in an FCA regulated pool and the requirement to be 100% pooled. This will have an impact on the following;
  - Employer Contributions
  - Implementing the Responsible Investment Policy
  - Legacy Assets (that have not yet been pooled)
- Understanding the options on the future pooling model

	• Committee/Council involvement in decision making given the short timescales • Overall impact on the business plan of the Fund (including resourcing and administrative burden).

2.00	**RESOURCE IMPLICATIONS**
2.01	Response to the consultation, preparing the plan for future pooling and implementing changes as a result of the outcomes will have a major impact on the work of the CPF officers, particularly the Senior Management Team, as well as the need for additional advice which will likely result in unbudgeted advisor costs.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	There will be a need for close working with the other Constituent Authorities within WPP and consulting with Flintshire County Council (as Administering Authority for Clwyd Pension Fund) in relation to the response.

4.00	**RISK MANAGEMENT**
4.01	Two of the risks on the Fund's risk register have been increased in score and are now red (one on governance and one on investment funding) as a result of this review. Given the length and depth of the consultation, the complete risk register will reviewed again once the consultation has been considered in more detail. As part of this review all risks will be considered and we expect that some others will increase in score.

5.00	**APPENDICES**
5.01	Appendix 1 – Clwyd Response to Call For Evidence Appendix 2 – Consultation Proposal and Questions

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **Actuarial Valuation** – A formal assessment of the Fund's financial health, determining employer contribution rates to cover benefits and address any funding shortfalls, as detailed in the Funding Strategy Statement. (b) **Actuary** – A financial risk specialist advising pension funds, primarily responsible for setting employer contribution rates through the actuarial valuation process. (c) **Administering Authority / Scheme Manager** – The authority managing the Fund, responsible for its oversight and stewardship. For Clwyd Pension Fund, this role is held by Flintshire County Council. (d) **AP – Advisory Panel** – a group comprising of the Flintshire County Council Chief Executive and Corporate Finance Manager, the Head of the Clwyd Pension Fund, Fund Consultant, Actuary and Independent Advisor for Fund management. (e) **Department for Levelling Up, Housing & Communities (DLUHC)** – The UK Government department supporting community development and local governance. (f) **FRC – Financial Reporting Council** – The UK and Ireland's regulator for auditors, accountants, and actuaries, responsible for corporate governance standards. (g) **FSS – Funding Strategy Statement** – The key document outlining the strategy for managing employer contributions to the Fund. (h) **FRMG – Funding & Risk Management Group** – A subgroup of 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 Head of the Clwyd Pension Fund, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser, and Investment Advisor. (i) **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. (j) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund. (k) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of. (l) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from Mercer, the Fund Consultant. (m) **The Committee – Clwyd Pension Fund Committee** – the Flintshire County Council committee responsible for most decisions relating to the management of the Clwyd Pension Fund

	(n) **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. (o) **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/**

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Philip Latham
Head of the Clwyd Pension Fund / Pennaeth Cronfa Bensiynau Clwyd

To: Emailed to pensions.review@hmtreasury.gov.uk

Cronfa Bensiynau
CLWYD
Pension Fund

Date/Dyddiad: 25 September 2024

Our ref/Ein Cyf: HMT-Clwyd

Name/Enw: Philip Latham

Email/Ebost:
philip.latham@flintshire.gov.uk

Pensions Investment Review: Call for Evidence

The Clwyd Pension Fund ("the Fund") welcomes the opportunity to respond to the Call for Evidence set out by HM Treasury, the Department for Work and Pensions and the Ministry of Housing, Communities and Local Government ; requesting responses to three themes covered in the first phase of the Pensions Investment Review: Scale and consolidation, Costs versus Value and Investing in the UK.

The Clwyd Pension Fund Committee ("the Committee"), which has delegated responsibility from Flintshire County Council to carry out the function of Scheme Manager and Administering Authority for the Fund, has agreed the following response in relation to this Call for Evidence.

Please note we have only responded to the LGPS specific points within the responses to the questions set out within the Call for Evidence.

Yours sincerely,

Philip Latham

Head of the Clwyd Pension Fund
Clwyd Pension Fund

Clwyd Pension Fund, County Hall, Mold, CH7 6NA / Benisynau Clwyd, Neuadd y Sir, Yr Wyddgrug, CH7 6NA
Website / Gwefan: https://mss.clwydpensionfund.org.uk

Consultation Questions and Answers

Scale and consolidation
1. What are the potential advantages, and any risks, for UK pension savers and UK economic growth from a more consolidated future DC market consisting of a higher concentration of savers and assets in schemes or providers with scale?
We understand this to be a specific DC market related question (not LGPS nor Additional Voluntary Contributions related), therefore no answer provided.

Scale and consolidation
2. What should the role of Single Employer Trusts be in a more consolidated future DC market?
We understand this to be a specific DC market related question (not LGPS, nor Additional Voluntary Contributions related), therefore no answer provided.

Scale and consolidation
3. What should the relative role of master trusts and GPPs be in the future pensions landscape? How do the roles and responsibilities of trustees and IGCs compare? Which players in a market with more scale are more likely to adopt new investment strategies that include exposure to UK productive assets? Are master trusts (with a fiduciary duty to their members) or GPPs more likely to pursue diversified portfolios and deliver both higher investment in UK productive finance assets and better saver outcomes?
We understand this to be a specific DC market related question (not LGPS nor Additional Voluntary Contributions related), therefore no answer provided.

Scale and consolidation
4. What are the barriers to commercial or regulation-driven consolidation in the DC market, including competitive and legal factors?
We understand this to be a specific DC market related question (not LGPS nor Additional Voluntary Contributions related), therefore no answer provided.

Scale and consolidation
5. To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?

By way of background, the Fund has a highly diversified investment strategy split:

- 15% Sustainable Active Equities,
- 12% Multi-Asset Credit,
- 11% Tactical Asset Allocation,
- 29% Private Market assets (8% Private Equity, 6% Infrastructure, 3% Private Debt, 4% Property and 8% Local/Impact assets),
- 28% Risk Management assets and
- 5% in Strategic Liquidity and Cash.

The Committee would highlight that our Private Markets allocation, which we have invested in for many years (outside of the Wales Pension Partnership "WPP"), is well-aligned with the Government's ambitions for the LGPS to invest in UK productive assets.

We have looked to maximise the level of investment made via the WPP, subject to our specific investment strategy requirements. To date, we have pooled all our listed assets in Sustainable Active Equities and Multi-Asset Credit, which equate to around 27% of total assets. The Committee is particularly pleased that the WPP agreed to our request that the WPP Investment Solutions Provider, Russell Investments, developed a sustainable equity fund, which all eight WPP Constituent Authorities now invest in. This fund is still in its infancy given the inception date of July 2023. Inception performance for the Multi-Asset Credit fund dates back to August 2020, which also remains relatively short.

Overall, the Committee believes the performance track record of these funds is not long enough to properly evaluate whether pooling has been able to deliver improved long-term risk adjusted returns. The Committee understands this to be a common feature across the LGPS pools, as many strategies have only recently started to build a track record of live performance.

The Committee appreciates that it takes significant time and effort for appropriate investment offerings to be launched by WPP. As new Private Market funds have been launched (for example in Private Equity and Infrastructure) that meet our strategy requirements, the Fund will make future commitments. Nevertheless, there remain key parts of our investment strategy that cannot be currently invested in via the WPP, including our Tactical Asset Allocation, Risk Management and Local/Impact assets. These asset classes are crucial components for us being able to manage our risk and return to achieve our funding (keeping employer costs affordable and stable) and Responsible Investment objectives. The Fund is committed to working with the WPP to see if it can develop suitable investment offerings for our requirements, so that we can pool more assets in the future.

The WPP is a unique geographic collaboration representing all the LGPS in Wales. The pre-existing excellent working relationship between the Welsh LGPS Administering Authorities is reflected in the design of the operating model and the governance structure of WPP with the decision-making process (one fund one vote) ensuring local and collective objectives can be delivered via the WPP swiftly and successfully. WPP operates an outsourced model which is different from many other LGPS pools. This ensures that best in class specialists can be sourced for key roles.

Costs vs Value
1. What are the respective roles and relative influence of employers, advisers, trustees/IGCs and pension providers in setting costs in the workplace DC market, and the impact of intense price competition on asset allocation?
We understand this to be a specific DC market related question (not LGPS nor Additional Voluntary Contributions related), therefore no answer provided.

Costs vs Value
2. Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?
The Fund has long invested a substantial proportion of its portfolio in Private Market assets. Key to this has been the Committees' long-term philosophy, the alignment of Private Market assets to our Responsible Investment objectives, and the objective of achieving appropriate levels of returns for acceptable levels of risk, liquidity and costs. This has been made possible from our strong emphasis on governance, transparency and taking professional investment and funding advice that is specific to our own requirements. Through our Local/Impact portfolio, we have long advocated that we can invest to help support economic growth and have wider positive social and environmental impact. This has been evidenced from analysis by The Good Economy *(as at 31 March 2024)*, which analysed the Fund's Impact and Place-Based assets in Wales and the UK. The analysis shows our assets have been able to: • Support 73 businesses through equity or debt financing, 20 within Wales. • These businesses account for over 15,280 jobs, with 8% of jobs in Wales. • Create at least 1,380 new jobs, with 11% in Welsh businesses. • Create 2,540 homes for over 6,300 people. 26% of homes are Affordable. • Support senior living homes for up to 338 residents. • Provide accommodation for c. 1,700 students. • Support 35 education facilities, including 2 Special Education Needs ("SEN") schools. • Create an additional 2,804 child spaces for nursery school places. • Support 3 health facilities and 1 water and waste facility.

- Support 67 real estate projects, 36 of which are commercial real estate projects supporting employment space for an estimated 7,440 people (28% in the most deprived local authorities in the UK).
- Support 662 permanent and 109 seasonal Real Living Wage jobs.
- £80m committed to the development of clean energy projects in Wales.

The Committee is of the view that as we already invest in UK productive assets, we do not require intervention from the Government to encourage this. The returns from our Local/Impact portfolio have been strong with the allocation returning 16.3% p.a. over the three years to June 2024. Further, the Committee would be concerned if the Government introduced guidance on investing that we consider not appropriate for achieving our specific financial and wider Responsible Investment objectives, which it has been highly successful in achieving (as evidenced above). It is not appropriate for the Government to force individual LGPS funds to take a higher level of investment risk than required (unless the risk is fully underwritten by central UK Government in some way), particularly in an environment where many LGPS funds (but not all) have strong funding positions, which should not be put at undue risk. This could, in turn, result in increased employer contributions (therefore impacting local taxpayers). The Committee is concerned that mergers in the sector (whether at individual authority or pool level) would restrict our ability to continue to successfully achieve our objectives. Our experience to date, shows that investing solely via a pool does not enable us to invest in the way that we believe is appropriate to meet our objectives.

Investing in the UK

1. What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?

It would be helpful for the Government to be clearer exactly what it means by more consolidation in the LGPS and net investment in UK assets (referring to specific asset classes).

The Committee firmly believes that investing in UK Private Market asset classes (e.g. Renewable Energy, Affordable Housing etc) can have a wider positive economic and social impact, as evidenced by our own experience (please see response to question 2. Cost v Value). Our concern with greater consolidation is this will restrict our ability to successfully invest locally in Wales, Northwest England and the Clwyd region.

It is not clear how investing in listed UK equities directly leads to economic growth given that; (1) the FTSE All-Share index is not representative of the UK economy, and (2) investment would predominantly involve trading in shares on a secondary market, not primary issuance. The Committee would welcome further clarification from the Government on this.

For the LGPS, investing more in UK productive Private Market assets could be achieved from the following structure:

Core proportion of UK productive Private Market assets to be invested via the National Wealth Fund ("NWF"). Individual LGPS funds could invest a proportion of assets directly with the NWF. This would allow the NWF to allocate capital in an efficient way that is in-line with specific Government ambitions. This would save the need for the current LGPS pools to newly design and build expensive investment teams, with the capabilities required to invest in-line with Government ambitions. This would potentially allow for:

(1) greater scale of investment in UK productive assets;

(2) significantly reduce set-up and ongoing costs;

(3) less complex set-up (including superior ability to attract and retain market leading professionals) and ongoing resilient implementation;

(4) deployment of capital in a co-ordinated way and at a quicker pace, and;

(5) eliminates the risk of assets becoming "over-valued" from pools competing with each other to invest in similar assets.

Ongoing role for pools and individual LGPS funds. A number of pools and individual LGPS funds (such as the Fund) have already proven their ability to successfully invest in UK productive assets, in particular, in specific local regions in the UK. There are significant benefits in having a framework that continues to allow this flexibility, combined with investment via the NWF. The key benefits could be:

(1) greater flexibility and nimbleness. As asset pools become larger, there could be diseconomy of scale challenges (e.g. lack of local investments) that need to be addressed. Allowing some "local" flexibility in decision-making would result in quicker deployment of capital in targeted areas;

(2) allowing flexibility for local investments would arguably increase the chances of broader parts of the UK to benefit from economic growth in a more consistent way, and;

(3) this would continue to allow individual LGPS funds to invest in a way to designed to achieve their own specific goals in relation to Net Zero ambitions and local impact investing.

Investing in the UK
2. What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?
We invest c.38% of our total assets in the UK. This covers investments in Gilts, Private Equity, Property, Cash, Renewable Energy Infrastructure (predominantly in Wales) and listed equites (in our Tactical Asset Allocation portfolio). Specifically in relation to UK listed equities, the Committee believes the following factors explain why UK pension schemes have generally reduced their exposure to UK equities over time. The cumulative impact of these factors is the important issue, not necessarily one overriding one. **Diversification and maximizing the return opportunity set.** UK equities present a relatively small component of the global equity market (c.3-4%) and is materially underweight important sectors such as technology (e.g. relative to the US). UK equities have cumulatively underperformed global equities (ex UK) by 402.1% over the last 20 years (306.8% FTSE All Share v 708.9% MSCI World ex UK to 30 June 24. *Source: Refinitiv*). **Adoption of actively managed global equity mandates;** allowing discretion to managers to select stocks where they have highest conviction to outperform, agnostic to where companies are listed. **Investing in UK listed equities does not mean investing in the UK economy.** For example, companies listed in the FTSE 100 generate the vast majority of their revenue from outside the UK. **Unwelcome political instability.** Brexit and issues relating to political uncertainty have, arguably, not been conducive factors to make UK equities an attractive return opportunity. **UK private sector DB pension schemes de-risking.** As these investors have seen significant improvements in funding levels in recent years, they have been able to de-risk (protecting the security of accrued benefits for members) and no longer need to invest in listed equities (global or UK) to generate the returns required. This de-risking has increased pension fund ownership of UK corporate bonds and gilts. **Higher transaction costs when purchasing UK listed equities.** Given that Stamp Duty of 0.5% is incurred when purchasing UK listed equities (but not on non-UK equities) this is a factor contributing to UK listed equities being relatively less attractive. **Allocations to UK listed equities have reduced to help to fund higher allocations to Private Market assets.** The Committee would be concerned that if the Government gave guidance on how much LGPS

funds should be investing in UK listed equities then this would potentially compromise our ability to invest in UK Private Market assets, in particular Local/Impact assets.

Concerns over the alignment of UK listed equities to the Fund's Net Zero ambitions. The latter is particularly important to the Committee. Significant parts of the FTSE All-Share index are invested in sectors such as Oil, Gas, Mining, Utilities and Banks. The Committee has legitimate concerns about how well-aligned companies in these sectors are to helping achieve our Net Zero objective by 2045, or earlier.

The Committee believes that it is difficult to predict the potential future performance of UK listed equities. If the Government believes that there is a compelling rationale for why UK listed equities might outperform global equities over the long-term, the Committee would be very happy to consider.

Investing in the UK

3. Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?

As demonstrated by the commitments to invest in UK Local/Impact assets that we have already made (equating to c.£184m), the Committee strongly believes in the potential benefits from investing in local communities contributing to local and regional growth.

The Committee would like to suggest the Government consider the following points, which we believe would be helpful to support further investment from the LGPS in UK productive Private Market assets, aligned with potential future Government policy.

Independent legal clarification on the consistency between fiduciary duty and Government guidance on how to invest.

The primary purpose of investors can be described as aiming to achieve a required investment return, specific to their unique circumstances, in an appropriately risk-managed way, to pay pensions when they become due, minimising the need for additional funding in the future.

If the Government were to mandate how LGPS funds should invest (e.g. having, say, 10% in UK Private Equity), this could result in investors having investment portfolios that are higher risk, more illiquid, and more expensive to manage than is appropriate for their circumstances. The Committee would welcome clarification how potential mandatory guidance, or legislation, on how to invest is consistent with our fiduciary duty. The Committee is concerned that current ambiguity over this issue is a material barrier to potential future investment decisions across the LGPS sector.

Central UK Government funded financial and risk management incentives

If the Government mandated the LGPS to invest in certain Private Market assets (e.g. higher-risk non-operational infrastructure) it would seem reasonable and fair that investors should be provided a financial incentive to compensate for the risk being undertaken. For example, central UK Government could look to encourage investment in the NWF by offering investors a bond-like coupon that is linked to a “CPI plus” type of return. This could be attractive to the LGPS given CPI-linked pension payments. Other forms of financial and risk management incentives could also be considered (e.g. to cover loss of value). Without some form of financial/risk management incentive, there is a real risk that LGPS funds could end-up in a worse position, meaning lower returns and higher costs for employers (and therefore local taxpayers), from the Government mandating LGPS investors to invest in a certain way.

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Ministry of Housing,
Communities &
Local Government

Open consultation

Local Government Pension Scheme (England and Wales): Fit for the future

Published 14 November 2024

Applies to England and Wales

Contents

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/local-government-pension-scheme-england-and-wales-fit-for-the-future

Scope of the consultation

Topic of this consultation

This consultation seeks views on proposals relating to the investments of the Local Government Pensions Scheme (LGPS). It covers the areas of asset pooling, UK and local investment and governance.

Scope of this consultation

The Ministry of Housing, Communities and Local Government (MHCLG) is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope

This consultation applies to England and Wales.

Impact assessment

The proposed interventions affect the investment of assets by LGPS administering authorities. These authorities are all public sector organisations, so no impact assessment is required.

Basic information

Body responsible for the consultation

Ministry of Housing, Communities and Local Government

Duration

This consultation will last for 9 weeks from 14 November 2024 to 16 January 2025.

Enquiries

For any enquiries about the consultation please contact: LGPensions@communites.gov.uk

How to respond

Please respond by completing an online survey (https://consult.communities.gov.uk/local-government-pensions/fit-for-the-future). You can also access the online survey by scanning the following QR code:

Alternatively, please email your response to the consultation to LGPensions@communities.gov.uk.

Alternatively, please send postal responses to:

> LGF Pensions Team
> Ministry of Housing, Communities and Local Government
> 2nd Floor
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an email address

1. Introduction

1. In July 2024 the government launched a landmark Pensions Review of workplace defined contribution (DC) pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The UK has the third largest stock of pension assets in the world. It is crucial that those assets are invested effectively, to provide security in retirement. Pension funds are also critical as a major source of domestic investment. That is why the Pensions Review has been set up with the twin objectives of improving pension outcomes and increasing investment in the UK.

2. The LGPS is fully funded with good investment returns and has achieved many successes in recent years. These include the establishment of LGPS asset pools as strong regional investment managers, thanks to the commitment and hard work of people across the scheme. But few in the scheme would disagree that pooling has not delivered to its full potential and that change is needed to ensure that the scheme continues to perform in the long term in the best interests of members, employers, local communities and the wider UK economy.

3. The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. The government is now consulting on proposals to put the LGPS on a clearer, firmer trajectory to scale and consolidation, as well as measures to improve scheme governance and investment. Together these proposals seek to provide long-term clarity and sustainability, putting the scheme on the strongest possible footing for the future.

4. The LGPS is one of the world's largest funded pension schemes, managing the pensions of 6.7m members and investing £392 billion worldwide, as at March 2024. Its scale makes it a significant investor with the potential to boost growth across the country, while delivering its core duty to make long-term stable returns to pay the pensions of those who have delivered vital local services. At present, however, the scheme does

not reach its full potential as an investor and engine of growth due to the fragmented nature of the scheme, and inconsistent standards of governance.

5. Since 2015, the 86 administering authorities (AAs) have come together in 8 groups of their own choosing to move towards managing their investments through 8 LGPS asset pools. The previous Government consulted on proposals to accelerate and expand the pooling of LGPS assets, to increase investment in local projects , and ambitions to grow investment in unlisted equity. The responses to that consultation, along with responses to the recent Pensions Review Call for Evidence and engagement undertaken with LGPS stakeholders have informed the proposals in this consultation. The government is grateful to those who have contributed their views.

6. In August 2024 the Chancellor of the Exchequer met with leaders of Canadian pension schemes. The Canadian model has key strengths including the integration of investment advice, consistent delegation and in-house investment management, which enhance control over investments and reduce reliance on external managers. The model's governance structures ensure accountability and strategic alignment with long-term goals. Importantly, the consolidation of multiple pension funds under a unified governance framework has proven effective in achieving economies of scale and optimising resource allocation. Their model has demonstrated robust performance, setting an example globally. In developing proposals the Pensions Review has taken valuable learnings from the Canadian model.

7. The proposals will complement key Government growth programmes aimed at creating an attractive pipeline of investment opportunities such as the National Wealth Fund and the British Growth Partnership. This is the first step to drive greater alignment and coherence across the UK's public finance institutions, enabling a more strategic and impact focused approach to mobilising capital. The Pensions Review will therefore use its next stage to consider whether further interventions may be needed by the government to ensure that these reforms are benefiting UK growth.

8. This consultation seeks views on proposals to strengthen the management of LGPS investments in 3 areas:

Reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model in line with international best practice. The minimum standards proposed are:

- AAs would be required to fully delegate the implementation of investment strategy to the pool, and to take their principal advice on their investment strategy from the pool;

- pools would be required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies;
- AAs would be required to transfer legacy assets to the management of the pool.

Boosting LGPS investment in their localities and regions in the UK, by requiring AAs to:

- set out their approach to local investment in their investment strategy including a target range for the allocation and having regard to local growth plans and priorities,
- to work with local authorities, Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority to identify local investment opportunities; in Wales, AAs would work with relevant Corporate Joint Committees on their proposed economic development priorities and plans, and with local authorities more broadly to identify investment opportunities.
- to set out their local investment and its impact in their annual reports.

Pools would be required to conduct suitable due diligence on potential investments and make the final decision on whether to invest.

Strengthening the governance of both LGPS AAs and LGPS pools in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review:

- committee members would be required to have the appropriate knowledge and skills.
- AAs would be required to publish a governance and training strategy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer, and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities.
- pool boards would be required to include representatives of their shareholders and to improve transparency.

9. The following chapters describe the government's proposals in more detail and provide the rationale behind them. Chapter 2 sets out proposals regarding asset pooling, Chapter 3 sets out proposals regarding UK and local investment, and Chapter 4 sets out proposals on governance. Finally, Chapter 5 sets out our initial assessment of potential equalities impacts and invites views.

10. Government has received representations on the issue of LGPS fund mergers. The government recognises that fund mergers can incur significant costs and risk. Nonetheless, a number of LGPS funds have successfully merged on a voluntary basis and the government encourages

administering authorities to consider whether there would be benefit in merging with another fund, taking into account final decisions on the reforms proposed in this consultation.

11. To assist those wishing to respond to the consultation, Annex A lists the proposals and Annex B lists the consultation questions.

2. LGPS pooling

Background

12. Following the publication of guidance on the pooling of LGPS assets in 2015, the 86 AAs came together in groups of their own choosing to establish 8 asset pools. As of 31 March 2024, £178 billion (45%) of LGPS assets were invested through these pools, with a further £107 billion (27%) of assets managed by the pools outside of pool investment vehicles.

13. The scale and expertise of the asset pools have delivered a step change in the expertise, capacity and resilience of the LGPS. This has enabled AAs to diversify their portfolios significantly, and to manage assets more efficiently, at reduced risk. AAs have been able to use the pools to invest in asset classes they would previously not have had the expertise or capacity to invest in, particularly in private markets. The pools have supported their partner funds by delivering investments, reporting and engagement that meets the AA's requirements on responsible investment, and which individual funds may not have had capacity to pursue by themselves. As a result, since their inception the pools have reported that they have delivered net savings of £870 million, against total costs of £675 million.

14. Examples of the benefits of scale since the inception of asset pooling in the LGPS in 2015 have included:

- Lower fees: pooling has allowed for access to complex asset classes at lower rates of management fees. For example, the cumulative net savings of Local Pension Partnership (LPP) to 31 March 2024 amounted to over £200 million. A significant proportion of these savings derives from their use of direct internal management including private market mandates such as the GLIL direct infrastructure vehicle, which is able to provide access to the asset class at a lower fee rate than comparable private sector asset managers.

- Enhanced investment opportunities: pooling allows for more sophisticated investment in diverse and large-scale projects that individual funds might not be able to access. For example, Border to Coast have launched a UK Opportunities private markets programme, which has recently committed £48.5 million to build onshore solar and wind farms as well as battery storage. The investment will develop 4 wind farms in Scotland with further sites in the pipeline. LGPS Central has introduced substantial growth funds with a focus on sustainable investing, including an internally managed £5.2 billion climate factor fund which invests in publicly listed companies targeting lower carbon emissions.
- Improved efficiencies and resilience: pooling has allowed for expertise and capacity to be shared including on reporting, and the development of in-house management of assets ('internal management') with associated lower costs, by LPP, LGPS Central and Border to Coast.

15. Most respondents to the Pensions Review Call for Evidence were positive about LGPS pooling as a concept, and thought that it was delivering scale, diversification of assets and cost savings. More than half of responses also recognised greater collaboration between funds in the same pool since pooling's introduction.

16. In addition to the evidence from LGPS pooling to date, the Pensions Review has established a broader evidence base on the benefits of investing at scale, including through analysis of international comparators such as Canadian pension schemes. The Pensions and Lifetime Savings Association found that schemes between £25 billion and £50 billion assets under management (AUM) had strong governance and could more easily invest in productive finance directly. Going further, a report by JP Morgan analysing Australian superfunds showed how funds of more than £50 billion AUM were able to drive down costs through internal management. A report by NMG consulting, which compared seven LGPS pools to eleven international comparators, also showed the benefits of economies of scale materialising once a pool reaches more than £80 billion AUM.

17. These analyses are consistent with the responses to the recent Call for Evidence which demonstrated wide support and agreement that scale leads to greater economies, efficiencies and reduced risks, as well as enabling greater expertise and diversification in investments which can importantly deliver better long-term returns for scheme members. Academic research (https://www.top1000funds.com/wp-content/uploads/2024/05/CEM-BBFS_JPM2021_CanadianModelQuantitativePortrait.pdf) also suggests the model deployed by Canadian pensions schemes, including the integration of advice, consistent delegation and in-house investment management, is able to generate 0.4% a year of additional returns vs their international competitors. Taken together, the findings of the analytical work of Phase 1 of the review suggest a clear link between scale and both asset diversification and lower costs. This is set out in further detail in the Pension fund investment and the UK economy paper

(https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy) published alongside the Pensions Review Interim Report (https://www.gov.uk/government/publications/pensions-investment-review-interim-report).

18. In the light of the evidence set out above the government has considered the current position of LGPS pooling. The 8 pools each have different models: 5 are standalone FCA-authorised investment management companies (‘LGPS pool companies’), 2 have an outsourced model that relies on external providers, and one has a model in which a joint committee provides oversight, but the partner funds retain management of most assets. As shown in Table 1 below the pools vary in their capability to provide advice and/or internally manage assets, in their number of partner funds, the total assets held by those partner funds, and the degree to which those assets have been pooled. The table below distinguishes between assets that are invested in pooled vehicles, and those that are managed by the pool but have not been transferred to a pooled vehicle. Assets invested via the pool are distributed across a number of separate sub-funds designed to meet different investment objectives, each with one or more investment managers, and the pools also vary in the number of sub-funds that have been established.

19. As Table 1 shows, some of the pools have made very limited progress transferring assets from partner funds to the pool. Others have created large numbers of sub-funds, often with multiple sub-funds for the same asset class, which reduces the potential benefits of scale. Although each of these models has reported successes to date, they are not equal in their ability to continue to develop to meet future challenges.

Table 1: Overview of existing LGPS pooling models.

	Model (Ownership, capability, services)	Number of partner funds (AAs)	Total fund assets (includes cash) (£bn)	Assets invested in pooled vehicles (£bn/%) (i)	Tota Ass mar by p (£br (ii)
ACCESS	Joint Committee management Fully outsourced investment management provider	11	64.6	32.7 (51%)	44.7 (69%

	Model (Ownership, capability, services)	Number of partner funds (AAs)	Total fund assets (includes cash) (£bn)	Assets invested in pooled vehicles (£bn/%) (i)	Tota Ass mar by p (£br (ii)
Border to Coast	Partner/shareholder FCA regulated Internal management Developing advisory	11	63.7	37 (58%)	45.3 (71
Brunel	Partner/shareholder FCA regulated External management only	10	40.3	32.2 (80%)	34.7 (86
LGPS Central	Partner/shareholder FCA regulated Internal management Developing advisory	8	61.4	19.7 (32%)	27.5 (45
Local Pensions Partnership (LPP) (iv)	Partner/shareholder Advisory FCA regulated Internal management Administrator	3	23	21.9 (95%)	23 (10(
London CIV	Partner/shareholder FCA regulated External management only Developing advisory	32	50.8	17.2 (34%)	31.6 (62
Northern LGPS (v)	Joint Committee management Two pooled investment vehicles – GLIL infrastructure and	3	61.4	3.7 (6%)	59 (96

	Model (Ownership, capability, services)	Number of partner funds (AAs)	Total fund assets (includes cash) (£bn)	Assets invested in pooled vehicles (£bn/%) (i)	Tota Ass mar by p (£br (ii)
	NPEP private equity				
Wales	Joint Committee management Fully outsourced investment management provider	8	25	13.3 (53%)	18.5 (74%

(i) Assets invested in pooled vehicles reflects those assets that are managed via the pool's sub-funds, which are shared investment vehicles across the partner LGPS funds.
(ii) Assets managed by the pool also includes additional investments specific to an individual partner fund, including legacy investments in closed-end fund vehicles being managed to maturity on the fund's balance sheet by the asset pool.
(iii) This treats multiple vintages as the same sub-fund.
(iv) These figures are in respect of LPPI's three partner funds only.
(v) Although Northern LGPS report 96% of partner funds' assets as being under pool management, the Government's understanding is that this refers to oversight by the pool committee of investment management and decisions made by the pension committees of the individual AAs.

20. The government's view is that pools with outsourced models, or pooling of some private markets assets only, have delivered significant savings and diversification to date but are not well placed to deliver for the future while retaining their current model. They lack the substantial in-house expertise, capacity and resilience provided on a non-profit basis by the LGPS pool companies. In addition, the pool companies that have - or are in a position to develop - in-house investment management capabilities should benefit from significantly lower costs compared to the use of external private sector investment managers, given existing experience within the LGPS. Some existing expertise formerly within larger funds has already been transferred to the pools, and other AAs have capacity and expertise that could be more widely shared.

21. The government believes that, to deliver successfully for members and employers, all the pools will need to develop further as powerful global and

local investors, able to deliver strong performance, value for money and resilience over the long term. The proposals set out below draw on the evidence and experience of the advantages and disadvantages of the range of models built up over the 5 years since all the pools became operational.

Proposals - Optimising pooling for the future

22. For the LGPS to adapt to future challenges and maximise its success the government believes that all funds and pools need to adopt an operating model that meets the following minimum standards:

- AAs would remain responsible for setting an investment strategy for their fund, and would be required to fully delegate the implementation of that strategy to the pool;
- AAs would be required to take principal advice on their investment strategy from the pool;
- Pools would be required to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies;
- AAs would be required to transfer legacy assets to the management of the pool;
- Pools would be required to develop the capability to carry out due diligence on local investments and to manage such investments.

23. The first 4 proposals are set out in more detail below, with the final proposal covered in Chapter 3. These measures build on the strengths of the asset pools established over the last decade and would allow for funds and pools to operate with clarity and efficiency over the long-term.

Requirement that implementation of the investment strategy is fully delegated to the pool

24. At present, AAs set the investment strategy for their fund including setting the strategic asset allocation to meet requirements on diversification and suitability of investments to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance. This gives AAs the most significant influence on returns, as the strategy is the key factor in the difference in net returns between portfolios, while implementation decisions such as manager selection play a much smaller role.

25. Since AAs were invited to form pools in 2016, guidance has set out that the selection of external fund managers and the implementation of the investment strategy should be delegated to the pool, in order to streamline decision making, reduce the number of external managers and deliver

reduced fees. In practice, AAs have adopted a range of approaches as shown by the table above, ranging from full delegation to no or very limited delegation, and from significant alignment of investment strategies to no alignment. Many AAs continue to set tactical asset allocation and select investment managers.

26. Limited delegation to the pool has prevented the delivery of the full benefits of scale and resulted in continuing duplication of effort across funds in the same pool. Pension committees may focus on manager selection and detailed asset allocation, when they may not have the skills and experience to be discerning and challenging clients of advice. A more efficient model would be for these decisions to be delegated to the asset pool with the capability and expertise to assess options and make robust decisions on behalf of the pension committee. Further, if funds are unable to reach agreement on manager selection, this can result in multiple similar sub-funds being created in a single pool for a similar purpose, and a consequent reduction in scale.

27. The government's view is that full, effective and consistent delegation of strategy implementation is needed to ensure the benefits of scale and ensure that decisions are taken at the appropriate level by people best placed to make those decisions. This would require clarity on the roles and responsibilities of the AA and their pool as further set out below.

28. The government is proposing that AAs retain responsibility for setting a high-level investment strategy for their fund, defined as an investment strategy consisting of:

- the high-level investment objectives including on:
- funding, for example funding level, return, risk, income and stability of contributions
- environmental, social and governance (ESG) matters and responsible investment
- local investments, with a target range (further discussed in chapter 3)
- If the AA wishes to do so, a high-level strategic asset allocation – although the government believes that expertise in the pools makes them best placed to set the strategic asset allocation and that funds may wish to delegate this to the pool.

29. This proposal draws on good practice in board-level governance, as found in overseas comparators and closer to home, the balance of responsibilities of the Universities Superannuation Scheme trustee and in house investment manager. The key is that decision-makers focus their efforts where these will have greatest impact. This approach has become widespread across trust-based pension schemes, where fiduciary management employs those best equipped to make the strategic and implementation decisions.

30. Setting the investment objectives and determining the strategic asset allocation are the most impactful investment decisions for a pension fund as they have the greatest bearing on the investment return achieved by the fund overall. These decisions lay the foundation for the entire investment strategy, guiding how capital is allocated across different asset classes to balance risk and return. By clearly defining the financial goals and establishing a long-term asset mix, these steps ensure that the portfolio is aligned with the fund's objectives, ultimately driving its sustainability and stability. The government considers that this proposal would allow the AA to ensure that the investment strategy is appropriate to deliver its funding requirements and to pay pensions over the long term, and is therefore sufficient to satisfy its fiduciary duty.

31. Implementation of this high-level investment strategy would be fully delegated to the pool to ensure that decisions are made by experienced investment professionals, and to give the pools flexibility to set tactical asset allocation, define sub-funds, manager selection, cashflow management, and decisions to buy sell or hold individual holdings, as required to meet the high-level objectives and strategic asset allocation set by the strategy. To achieve the full benefits of scale it would be important for AAs and their pools to work together on alignment of their approaches to ESG and responsible investment matters, to achieve a common approach.

32. The proposed roles and responsibilities of the pool and AA are summarised in Figure 1 below:

Figure 1: The roles and responsibilities of the Administering Authority versus the pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

Figure 1: The role and responsibilities of the Administering Authority versus the pool - accessible version

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Investment objectives	Strategy	High	Decide	Advise

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Strategic asset allocation	Strategy	High	Decide or Monitor	Advise or Decide
Tactical asset allocation	Implementation	Med	Monitor	Decide
Investment manager selection	Implementation	Med	Monitor	Decide
Stock selection	Implementation	Med	Monitor	Decide

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Investment stewardship	Implementation	Low	Monitor	Decide
Cashflow management	Implementation	Low	Monitor	Decide

33. Where AAs choose to set a strategic asset allocation, the government's view is that this should be limited to either setting target ranges either for growth and income assets, or for a small number of broad asset classes. There are differences between funds in their membership, proportion of non-statutory employers, maturity, cashflow and funding, and the government expects the pools to consider these features in their operation. But the government does not consider that these justify or require asset allocation below this level, in addition to the investment objectives. In response to feedback during engagement on the need for clarity and consistency, the government proposes stipulating in guidance that funds would need to record their strategic asset allocation in the Investment Strategy Statement, based on a template. This would support pension committees in establishing a strategic asset allocation and also provide a coherent and consistent framework for pools to implement at scale.

34. The government has considered a range of options for the level of involvement AAs should have in any strategic asset allocation, from full delegation to the pool, to setting ranges for growth and income assets, to setting allocations to a wide range of detailed asset classes. Government recognises the range of approaches currently in place within the LGPS, and in other comparable schemes, which may include fewer asset classes and wider asset class definitions than those listed below. This includes dividing the allocation into 2 categories – growth and matching assets.

35. The proposed template aims to strike a balance between on the one hand, ensuring investment decisions are made by those with appropriate professional expertise and avoiding loss of scale that can arise from AAs requiring a detailed asset allocation, and on the other hand, allowing AAs to take local decisions on high level asset allocation and recognising their fiduciary duty.

36. AAs would have the option of completing the template themselves or allowing the pool to choose an appropriate allocation in line with their investment strategy. The AA's objectives for local investment would be captured in the high-level investment objectives. Any strategic asset allocation set by the AA would therefore not include an explicit asset class for local investment, which in practice may be invested across private equity, credit, property or other asset classes. The asset classes in the template are and would be expected to remain, different from the requirements of national data collection, which are set and collected for a different purpose.

37. The government invites views on templates which best meet the objectives described above noting the range in possible approaches, and particularly invites views on the following template:

Table 2: template for strategic asset allocation

Asset class	Strategic asset allocation (%)	Tolerance range (± %)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		

Asset class	Strategic asset allocation (%)	Tolerance range (± %)
Other alternatives		
Credit (i)		
UK Government bonds		
Cash (ii)		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds
(ii)For the purposes of this table this refers to cash held by the pool. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

Requirement for principal advice on investment strategy to be taken from or through the pool

38. Under these proposals, the AA's responsibility in respect of investments is to set the investment strategy. At present investment advice may be sought from investment consultants, with each AA using their own. Whilst it is recognised advice needs to be bespoke, there may be duplication and inefficiency across a pool and AAs may receive divergent advice from the same providers without clear justification, which inhibits asset pooling.

39. The government proposes that AAs should be required to take principal advice on their investment strategy from their pool. This would ensure that advice is provided on a consistent basis, tailored to individual AA's requirements, and free from competing interests given that the pools exist solely to serve the AAs. The requirement for AAs to have an independent adviser or committee member would equip them to challenge the pool's advice in the majority of circumstances, however it is recognised that in exceptional circumstances AAs may wish to seek additional advice from external investment advisers to help them test the advice given to them by the pool.

40. Not all pools have the existing capability to provide advice to the AAs. Full advisory capability, or the means to share advisory capability across pools, would need to be developed over time. In the meantime, the government expects that pools would seek to procure advice on behalf of their partner funds. The government's intention would be to set out a timeline for this, subject to the outcome of this consultation.

Requirement that LGPS pools are established as investment management companies, regulated and authorised by the FCA

41. Currently, 5 of the 8 pools are established as FCA authorised investment management companies, with their partner AAs as their sole shareholders and clients. As set out above the government's view is that this model has clear advantages over other approaches. It provides in-house expertise, capacity and resilience on a non-profit basis and the ability to provide, share or develop in-house investment management to reduce costs. FCA authorisation and supervision provides vital assurance to members and employers that very large pools of capital will be properly managed. It also provides a basis for the development of capabilities to provide advice to AAs on investment strategies and to assess and manage the local investments that the government's proposals envisage.

42. The government therefore proposes that all pools should be established as investment management companies, with the full range of expertise and capacity to deliver the following requirements as envisaged by our proposals:

- Implementation of the investment strategies of their partner AAs, including any strategic asset allocation
- Provision of advice on investment strategies
- Management of legacy assets
- Due diligence on local opportunities and management of such investments.

All such companies would require FCA authorisation for regulated activities. They would need to meet the threshold conditions for authorisation and demonstrate that staff have relevant skills and competence.

43. Government's expectation is that pools will develop capabilities to deliver the implementation of investment strategies through in-house investment management in time. This approach has been demonstrated to have favourable outcomes when also combined with asset pooling at scale. Where it is thought to be inefficient to deliver a mandate in-house, pools should consider partnering with other LGPS asset pools or third-party investment managers to deliver select mandates.

44. The government recognises that this proposal would represent a substantial challenge for all pools whatever their starting point. For the 5 pools which already constitute investment management companies, most will need to develop new capabilities to deliver in all these areas, in particular building capacity on local investment and providing advice on investment strategies to funds. There will be costs involved in building capacity and expertise, offset by reduced costs for AAs.

45. This will be a substantial undertaking for all pools, especially those 3 which have adopted other models. The government believes that this step

change in the investment framework of the LGPS creates an opportunity for increasing effective scale and encourages all pools to carefully consider all options in that light. These may include establishing a new pool company, merging with another pool, or becoming a client of another pool company for some or all services required. Depending on the approach chosen, there will be set up and ongoing costs. But as has been demonstrated by existing asset pools using a pooling company model, these costs should be recouped through savings in reduced investment management fees. Pools will need to consider which route is most viable and efficient over the expected timescale (discussed below).

46. The government encourages pool mergers and sharing of services where this provides a more efficient route to the required standard. As part of their proposal, each pool will be expected to demonstrate why a merger with another pool, or use of existing capability in an established pool company, would not be a more cost effective or otherwise more preferable approach to achieving compliance with the reform proposals. For the avoidance of doubt, Government is not seeking to use this process to move to a single pool for all AAs.

Requirement to transfer legacy assets to the management of the pool

47. In November 2023 the previous government set out its expectation (https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response) that AAs should pool all listed assets as a minimum, by March 2025, on a comply or explain basis. Transition of all assets was expected to be considered in this timeframe given pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

48. The present government, alongside its announcement of the Pensions Review (https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings), signalled that it would consider legislating to mandate pooling if insufficient progress towards the March 2025 deadline was made. Many AAs have made significant progress on pooling assets, but there remains significant variation with the percentage invested in pooled vehicles ranging from 6% to 95% as of March 2024, and total assets under pool management ranging from 45% to 100%. The government is aware that AAs have been considering how they can transition further assets by the deadline, and will take progress into account when making final decisions on reforms.

49. The government's view remains that in order to deliver the full benefits of scale AAs would need to transfer 100% of their invested assets to their pool with no new investments being made outside the pool, including local assets. However, the government recognises that transferring legacy assets

into pooled vehicles may incur unnecessary costs in the short term, including for termination of long-term contracts.

50. For these reasons legacy assets are already managed by some pools with the assets remaining in the ownership of the AA rather than in pooled vehicles. This ensures that:

- staff with the appropriate specialist skill sets are only required at the pool level, where their expertise can be shared across the pool and free up capacity at the AA;
- reporting across an AA's entire portfolio can be consolidated;
- pools can assess the merits and risks of all investments, with AAs able to hold them to account for all outcomes; and
- decisions on whether to hold to investments to maturity, rollover long-term contracts or invest elsewhere would rest with the pool - taking account of the objectives of the AA's investment strategy - rather than with the AA which may be influenced by the legacy investment manager or investment consultant.

51. The government therefore proposes that, in line with previous communications, AAs should be required to transfer any remaining listed assets invested outside the pool to pooled vehicles managed by their pool, and further, to transfer legacy illiquid investments to the management of their pool.

52. The pools would be required to develop and maintain capacity and expertise to manage all legacy assets which will often be unlisted illiquid investments. This would include management of risk and asset valuations. As pools vary in the capacity and expertise that they currently have to take on this role, the government seeks views on what steps would need to be taken to develop this capacity.

Question 1
Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

Question 2
Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Question 3
Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Question 4

What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Question 5

Do you agree that the pool should provide principal investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Question 6

Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Question 7

Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Question 8

Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Question 9

What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds?

Implementation

53. The government believes that reforming pooling in this way would deliver the full benefits of scale to the benefit of members employers and taxpayers. Subject to the outcomes of this consultation, the government will consider legislating to require in law the pool minimum standards set out above, including transition or management of all assets.

54. The King’s Speech (https://www.gov.uk/government/speeches/the-kings-speech-2024) set out plans for a Pension Schemes Bill in this session of Parliament. The Bill provides an opportunity to introduce any primary legislation required to implement outcomes from the Pensions Review, with

any necessary secondary legislation and guidance updated when parliamentary time allows.

55. In advance of this, asset pools, working with their partner AAs, are invited to submit a separate proposal, in addition to their response to this consultation, setting out how they would deliver the proposed pooling model and complete the transfer of all assets including legacy assets. Proposals will need to include their view of the costs, timeline and potential barriers and solutions. Government will continue to work closely with pools ahead of proposals being submitted, and expects pools to be working closely and collaboratively in doing so.

56. The government is proposing an indicative timeline to move to the new model of March 2026. Government expects each pool to consider and provide submissions on the viability of meeting this timescale. This is broadly aligned with the point at which reviews of investment strategy would be completed following the 2025 actuarial valuations, and takes account of the timescale over which the Financial Conduct Authority (FCA) may consider applications for investment management companies and authorisation to provide investment advice. Pools working with their partner AAs are invited to comment on the viability of meeting this timeline.

57. Each pool is invited to demonstrate a clear path to meeting the requirements outlined in this consultation document. In these reports pools will be expected to provide clear evidence that they are able to capture the advantages of managing investments at very large scale, such as by being able to invest cost effectively or directly, and at scale, in alternative asset classes such as unlisted infrastructure and private equity.

58. We will expect proposals to be submitted by 1 March 2025. This will provide 15 weeks for pools and AAs to consider how these could be delivered if required.

Question 10

Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Other developments

Collaboration and specialisation

59. Some pools are already developing significant investment specialisms and share expertise between pools. This would be expected to increase as

the pools mature and adapt to the model outlined above. The government encourages pools to consider how they could collaborate with each other in areas where they have specialisms – for example through joint investment vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern).

60. Government understands that many asset pooling companies were established under the vertical exemption to public procurement as within the 2023 Procurement Act, previously known as the 'Teckal' exemption as set out in regulation 12 of the Public Contracts Regulations 2015. Engagement has indicated that there are differing views in AAs and pools on the degree to which this is a barrier to greater collaboration between pool. Government welcomes views on this issue and any other barriers to collaboration between pools.

61. Collaboration between pools could deliver many of the benefits of additional scale and avoid duplication. In addition, collaboration could avoid competition between pools driving up costs for investments in the same specialist asset classes. Areas where specialisation or collaboration may be particularly attractive include alternative investments including private equity, private debt and venture capital, as well as infrastructure and investment in specific local or regional investments.

Scale and regional alignment

62. The government has considered whether any additional reforms are needed to the existing pools to redraw them along regional lines. It is recognised that there are factors at play, other than eventual pool size, when considering which funds should collaborate together in a pool. In particular, the Wales Pension Partnership operates within a devolved nation and has separate partnerships with the Welsh Corporate Joint Committees. It may therefore make sense for Welsh LGPS funds to continue in a separate pool.

63. The existing pools differ in that some bring together AAs from geographically contiguous areas, whereas elsewhere the partner AAs are geographically scattered but share other similarities. This reflects their origins, developing out of existing collaborations or through AAs collaborating with other like-minded partners. There are benefits to regionally defined pools in that the partner funds have a mutual interest in local investment and can typically build on existing strong working relationships, for example in Wales. However, other pools have demonstrated that shared geography is not the only determinant of success, provided there are strong partnerships and a shared commitment to collaborate and compromise to deliver shared goals. Chapter 3 sets out proposals to strengthen the role of the pools in local investment. For these reasons, the government does not consider it necessary to redraw pooling arrangements along geographic lines where this alignment does not already exist.

Role in administration

64. In the longer-term, the government is interested to hear views as to whether there is a role for the pools in the administration of the LGPS, or whether there could be greater collaboration and cooperation between funds on administration issues, for example shared service arrangements and the training of officers, councillors, and pension board members.

Question 11

What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

Question 12

What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

3. Local investment

65. Growth is the number one mission of this government. Through the growth mission, the government is restoring economic stability, increasing investment and reforming the economy to drive up prosperity and living standards across the UK. The government will invest in transport, including schemes like East West Rail, kickstart the delivery of 1.5 million homes, support new industries and job creation, and back innovation through research and development funding. In total, the government will spend 2.6% of GDP on public sector net investment on average over the Parliament, with an increase of over £100 billion in capital investment over the next 5 years.

66. In addition to the Pensions Review, the government is supporting UK investment in several ways. It has created the National Wealth Fund, which is expected to catalyse over £70 billion of private investment, and has set out plans for a modern Industrial Strategy to support investment in growth sectors. The British Business Bank will create a new vehicle, the British Growth Partnership, to crowd-in UK pension fund and other institutional investment into venture capital funds and innovative businesses, supported by a cornerstone government investment. The Budget outlined plans to reform how the government delivers infrastructure, including the planned publication of a 10-year infrastructure strategy, the establishment of the National Infrastructure and Service Transformation Authority and ambitious planning reform.

67. This is the first step to drive greater alignment and coherence across the UK's public finance institutions, enabling a more strategic and impact focused approach to mobilising capital. The Pensions Review will therefore use its next stage to consider whether further interventions may be needed by the government to ensure that these reforms are benefiting UK growth.
Investing in local communities

68. The LGPS already invests approximately 30% of its assets in the UK, as part of its duty to invest to pay pensions. The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in local communities. Many AAs have already deeply embedded these wider considerations into their investments. It is in the interest of the 6.7 million hard-working LGPS members that LGPS investments support the prosperity and wellbeing of their local communities, just as members did through their working lives. LGPS investments can both pay pensions and unlock growth in local communities.

69. There are other aims which AAs may wish to pursue, including boosting UK economic growth and taking into account other environmental, social and governance (ESG) issues. These may contribute to the government's key missions including making Britain a clean energy superpower and accelerating to net zero is one of the key missions of the government. This consultation focusses on local investment by LGPS funds.

The roles of AAs and pools

70. AAs are already committed investors in projects which support growth in their local areas. These are investments which, in addition to being suitable pensions investments and generate good returns, have external benefits which support the AA's local area. But it is recognised that identifying and assessing the suitability of local investments requires resource intensive due diligence, and AAs may not have the capacity to undertake this work. AAs may also be concerned about reputational and concentration risks. Funds must also navigate conflicts of interest if there is a link between the employer authorities and the investments selected. These factors may limit local investments unnecessarily.

71. The pools can address many of the specific factors which make local investment harder for AAs to consider. Pools are in a position to provide central source of investment expertise to assess, commit to and manage local investments and do not face the same potential conflict of interests, as their role is serving the AAs. Pools create a degree of separation between AAs and their investments, reducing any reputational risk. For example, Border to Coast and Local Pensions Partnership have facilitated pool investment in local opportunities and worked closely with their partner AAs

to identify local opportunities. The government recognises that pools currently have different approaches to local investment and vary in the extent to which they have the capability to assess and manage local investments, but it is the government's view that it is the pool which is in the best position to provide the central capability to carry out due diligence and manage local investments.

72. In addition, pools invest over a wider geographical area than AAs, reducing risks from under performing assets. But pools and AAs may both lack a comprehensive view of investment requirements and opportunities across a wider regional area, as set out in local growth plans. When fully implemented, local growth plans will act as a guide to investors seeking opportunities which support local growth and contribute to the National Industrial Strategy.

Proposals

73. With these considerations in mind, Government's view is that the right approach to increasing local investment brings together the distinctive strengths of AAs and pools and takes account of the role of Combined Authorities (CAs), Mayoral Combined Authorities (MCAs), Combined County Authorities (CCAs) and the Greater London Authority (GLA) in regional growth and development. The government wishes to see greater collaboration between AAs, pools and combined authorities of all types on local investment, for the long-term benefit of local areas, and believes that scheme members support the LGPS in making local investments.

74. For the purposes of this consultation, the term 'local investment' is used to include investments local to any of a pool's partner AAs, or investments in their region (or in Wales, for Welsh AAs). The government invites views on the appropriate definition of the term 'local investment' for reporting purposes.

Requirement to set out approach to local investment in the Investment Strategy Statement

75. AAs normally review their Investment Strategy Statements every 3 years following the triennial valuation of the fund. To ensure that local and wider investment priorities are fully considered by AAs as part of deciding their investment strategy, the government proposes a requirement in regulations for AAs to set out their high-level objective on local investment in their Investment Strategy Statement, including a target range for local investment as a proportion of the fund.

76. AAs would also be required to take account of local growth plans, including local economic priorities and specific investment requirements, in

setting their investment strategies. For areas where there is no local growth plan, we would expect AAs to work closely with local authorities in their areas to identify local opportunities. In Wales, AAs would be required to take account of the economic development priorities and plans of the relevant Corporate Joint Committee (CJC) or Committees.

77. Our intention would be to include guidance on the new requirement in statutory guidance on investment strategy statements. This would include guidance on government's expectations on working with CAs, MCAs, CCAs, CJCs and other local authorities and Local Growth Plans to identify opportunities.

Requirement to work with combined authorities and similar bodies

78. AAs are well placed to draw on their knowledge of the local area and its changing circumstances, in identifying potential investment opportunities which may align with their investment strategies and with local growth plans or equivalent. The government therefore proposes setting new requirements for AAs to work with CAs, MCAs, CCAs or the GLA, or local authorities in other areas, with a view to identifying potential local investment opportunities for consideration by their pool. In Wales, AAs would be required to work with the relevant Corporate Joint Committee or Committees and with local authorities more broadly to identify investment opportunities. AAs would be expected to put forward opportunities they have identified to their pool at any time in the valuation period as they arise.

79. In line with the proposals set out in chapter 2, it would then be for the pools to make the final decision on whether to invest, and to manage all assets on behalf of their partner AAs including legacy and new local investments. Requirement for pools to carry out due diligence on potential local investments

80. The proposal above to require AAs to identify local investment opportunities to put forward to their pool means pools would need to have arrangements to receive proposals and conduct due diligence on projects. Pools may also be able to assist in developing some proposals into investable opportunities. For some pools this would be a significant development. But as set out above, it is the government's view that pools are in the best position to provide the necessary expertise and capacity.

81. The government therefore proposes a new requirement for pools to develop the capability to carry out due diligence on local investment opportunities. Pools would be expected to collaborate as necessary with their partner AAs, CAs, MCAs or CCAs, and other relevant authorities (including the GLA in London and Corporate Joint Committees in Wales) to support local investment. Some projects for which LGPS support would be considered may be inappropriate for pensions investment, or require disproportionate resources to assess and manage, but many should benefit from collaboration across AAs, pools and CAs.

Requirement to report annually on local investment

82. To ensure funds are accountable, the government is proposing that funds include in their annual report, as part of the report on the fund's investments, a report on the extent and impact of their local investments. This will increase transparency and allow members to see the locally important projects delivered thanks to LGPS investment.

83. Our intention would be to work with the SAB to include guidance on reporting of local investment reporting in statutory guidance on annual reports, and to consider how to reflect this new requirement in the Scheme Annual Report.

Question 13

What are your views on the appropriate definition of 'local investment' for reporting purposes?

Question 14

Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Question 15

Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Question 16

Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Question 17

Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Implementation

84. The government proposes to set out new requirements in regulations. Our intention would be to work with the Scheme Advisory Board to include in new statutory guidance on pooling, and updated guidance on investment strategy statements and annual reports.

4. Governance of funds and pools

85. LGPS assets have more than doubled in the last decade, membership has increased by almost 50%, and there are now nearly 20,000 employers, so it is more important than ever that the scheme is effectively governed. Members and employers have a right to expect consistently high standards across the scheme with robust and resilient governance and administration in every AA.

86. There is evidence to suggest that good governance also has financial and wider benefits through a governance premium for well governed pension schemes which benefit from sustained and resilient returns compared to less well governed schemes. Well governed schemes are likely to be more effective and agile, and therefore better managing risk and picking up opportunities. Research from the Pensions Policy Institute (https://www.pensionspolicyinstitute.org.uk/media/t2djkxca/201702-bn89-db-the-role-of-governance.pdf) suggests that this premium could be as high as 2% greater returns a year. This benefit would be much greater than the cost of investment in improved governance.

87. The proposals set out below aim to enhance the capability of the LGPS as a well-governed institutional investor on a global scale, ensure it continues to deliver for members and employers.

Fund governance and reporting

88. The government's aim is to encourage continuous improvement across the scheme, combined with consistent standards on knowledge and understanding and improved reporting. The majority of our proposals are based on the recommendations submitted to MHCLG by the SAB in 2021 at the conclusion of their Good Governance project, which were strongly supported by respondents to the Call for Evidence.

89. In summary the government's proposals are:

- New requirements on AAs to:
  - appoint a senior LGPS officer who has overall delegated responsibility for the management and administration of the fund
  - participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified.
  - prepare and publish a governance and training strategy (replacing the governance compliance statement), including a conflicts of interest policy, and
  - prepare and publish an administration strategy
  - improve accessibility of annual reports
- New requirements on knowledge and training for those involved in the management of LGPS funds

90. In addition to these proposals, the government is considering one further change, to require AAs to appoint an independent adviser.

Requirement to prepare a governance and training strategy

91. The government proposes that AAs should be required to prepare and publish a governance and training strategy to replace the governance and compliance statement. This new strategy would set out the AA's approach to governance, knowledge and training, representation, and conflicts of interest; and set out objectives and planned actions in these areas, to be reviewed at least once every valuation period. It would replace the governance compliance statement. Such actions could include a plan on how the AA aims to address gaps in knowledge and skills for committee members over a certain period, and how it might manage potential conflicts of interest between the local authority as administering authority and as an employer within the pension fund.

92. It is the government's view that the requirement to review this strategy at least once in each valuation period provides AAs with the flexibility to update it as required and will ensure the strategy is a live document. We are also proposing that as with the other strategies which AAs are required to prepare, AAs must have regard to statutory guidance on governance.

93. The government proposes that a conflict of interest policy must be included in this strategy. There is no current requirement for conflicts of interest policies to consider conflicts of interest for members serving on pension committees, or to cover conflicts between the AA and the employer. There may be specific conflicts that arise in managing a pension fund within the local authority environment and this may become more common as pools and partner AAs consider further local investment.

94. It is important that in a conflict of interest policy, AAs consider how they will recognise, manage, and mitigate all conflicts of interest. Requiring each AA to have a specific conflicts of interest policy within its governance and

training strategy should ensure that AAs are taking proactive steps to mitigate the risks of conflicts not being addressed appropriately; by setting out how actual, potential, and perceived conflicts are addressed within the governance of the fund.

Requirement to identify a senior LGPS officer

95. The government's proposal is that every AA must have a single named officer (the senior LGPS officer) who has overall delegated responsibility for the management, strategy and administration of the fund. The senior officer would be identified within the AA's Governance and Training Strategy. The government recognises that management structures differ but expects that the role would be carried out by a Director, Assistant Director or Head of Service, i.e. at a level that is either already part of the senior leadership team or is comfortable operating in that environment. The senior officer would be expected to ensure that the LGPS function has sufficient resourcing to meet its duties, and so should be involved in the local authority's budget-setting process.

96. The senior officer would be a substantial role that will require significant time and energy. The expectation would be that the LGPS role would be the main priority for the senior officer. Senior officers should have authority and be able to set strategic direction. Officers reporting to the senior officer should be responsible for all LGPS functions.

97. The senior officer's role would be to lead delivery of the LGPS function under the direction of the AA or pensions committee. The government expects the senior officer's role to include the areas below, although this list is not intended to be exhaustive:

- providing advice to the pension committee and local pensions board
- developing the fund's strategic approach to funding, investment, administration, governance and communication;
- ensuring that risk management arrangements effectively identify and manage risks
- ensuring the fund is organised and managed to deliver statutory responsibilities and regulatory compliance, and meet service level agreements including timely and accurate pension payments
- ensuring that the role of the pension fund and LGPS matters are understood and represented by the AA's senior leadership
- working with other partner AAs and the pool company as appropriate

Requirement to prepare an administration strategy

98. Currently AAs may prepare an administration strategy but are not required to do so. Administration strategies must set out procedures relating to employer communication, administrative procedures, and administrative performance. There is currently no statutory guidance to assist fund in the

preparation of this strategy, and while AAs must keep any administration strategy under review, there is no specific timeframe required.

99. The government believes that if AAs were required to prepare and maintain this strategy and have regard to guidance, this would increase consistency on how administrative matters are approached across the scheme (including in working with employers) and drive improvement in administration of pensions.

100. The government is therefore proposing that AAs should be required to prepare and publish an administration strategy and to have regard to statutory guidance in its preparation. The government is also proposing that AAs review this strategy at least once in every 3 years in line with the proposed requirement for other strategies; and that AAs should no longer be required to send the administration strategy to the Secretary of State upon publication, as this is no longer considered to be necessary.

Improving readability of annual reports

101. Each year AAs publish an annual report on management and financial performance, which includes fund accounts. It is a key document for members, employers and other stakeholders with an interest in the fund. The SAB uses the annual reports to compile the scheme annual report.

102. Currently the annual report is required to include the funding strategy, investment strategy and governance compliance statements in full. The readability and accessibility of the reports is reduced by the size and complexity of the combined document.

103. The government is therefore proposing that, in line with the LGPS in Scotland, funds should no longer be required to include the full texts of any strategy, including the governance and administration strategies we are proposing. It is the government's intention to work with the SAB to update guidance on annual reports to set out how funds should ensure accessibility and transparency for members, employers and others.

Requirement to participate in a biennial independent governance review

104. Under this requirement, each AA would participate in an independent governance review every 2 years, in order for administering authorities to receive assurance that they are meeting governance requirements. The review would need to be carried out by independent experts in the field with good understanding of the LGPS. The Secretary of State for MHCLG would reserve the right to commission reviews of specific funds where there is reason to believe the fund may not be equipped or resourced to fulfil its responsibilities.

105. Once complete, the draft report on the review would go to the senior LGPS officer, pensions committee and local pensions board. The pension committee would be required to add commentary and an action plan in the final report. This could include a range of actions including to seek peer support to address problems or to disseminate good practice. Administering authorities would be required to publish a summary of the final report and submit it to MHCLG.

106. The Scheme Advisory Board is developing a peer support offer including identifying experts already associated with the LGPS to be available to conduct the independent governance review and assess the report and action plan. In cases where the process was not successful at delivering change or peer support was not deemed a realistic way to address issues, it would be open to the Secretary of State to make use of powers under the Public Service Pensions Act 2013 and the Investment Regulations 2016 to issue a direction or to wind up a fund.

107. Government will be working closely with the Scheme Advisory Board and the Pensions Regulator on further detail of the review process and welcomes views on the format and assessment criteria that could be applied.

Requirements on knowledge and skills for those involved in the management of LGPS funds

108. There is an expectation that those responsible for making key decisions within LGPS funds, which provide benefits to millions and manage significant amounts of money, should have the right level of knowledge and training to carry out the functions of their role. In most cases in the LGPS, the role of scheme manager held by the AA is delegated to a pension committee, who are responsible for all key decisions related to the pension fund. Pension committees are composed largely of councillors, with a SAB survey (https://lgpsboard.org/images/CRC/12022024_Item6PaperD_Workstream_update.pdf) showing that 66% possess little or no knowledge of the LGPS prior to appointment. High turnover of committee members can in some cases compound the problem.

109. Currently, there are no statutory requirements for committee members and officers to maintain appropriate knowledge and skills specific to the LGPS or to undertake training of any kind. By contrast, members of the local pension board (which brings together union and employer representatives to assist the AA and committee), have a statutory duty to have appropriate knowledge and skills under s.248A of the Pensions Act 2004. Committees are required to take proper advice, but where there are gaps in the knowledge of and skills of committee members and officers, it may be difficult to ensure that this advice is tested and challenged appropriately.

110. The SAB survey showed strong support for higher standards of knowledge and understanding for pension committee members. A very large majority (90%) of respondents supported new guidance on minimum training requirements, and 67% agreed that requirements for pension committee members should be the same as for local pension board members.

111. The government therefore proposes to require that committee members, the senior officer and officers should have the appropriate level of knowledge and understanding for their roles, and that the requirements for pension committee members and local pension board members should be aligned. This change aims to ensure that those involved in the management of LGPS funds have the capability to carry out their duties as needed and can exercise the correct level of oversight on investments, governance, and administrative matters. This will include the knowledge and skills, for both officers and committee members, to challenge and test advisers and hold their pool to account.

112. The government is also proposing to require AAs to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements. The government expects AAs to include their policy on training and assessment to meet this requirement. It is recognised that committee members and officers on appointment will possess different levels of relevant prior knowledge. The government therefore also proposes that the requirement on knowledge and understanding will apply to individuals within a reasonable period from taking up the role or appointment.

Role of independent adviser

113. In addition to requiring pension committee members to have appropriate knowledge and skills, the government is also considering how best to bring professional and independent expertise to pension committees to improve governance, improve scrutiny and challenge of advice and delivery, and advise on improvements.

114. One way in which this could be achieved would be to require pension committees to appoint an independent person who is a pensions professional, whether as a voting member of the pensions committee or as an adviser. The role would encompass supporting the committee on investment strategy, governance and administration. Those who were or might be involved in recommending specific investment products to the committee would not be eligible. We expect that suitable pensions professionals would have one or more of the following qualifications and experience:

- Qualifications from Pensions Management Institute (PMI) – the award in pension trusteeship, diploma in professional trusteeship, certificate in professional trusteeship, accreditation for professional trustees

- Member of, and accredited by, the Association of Professional Pension Trustees (APPT)
- Significant experience of pensions and/or investments

115. The small number of administering authorities with no pension committee could be required to have an independent person as adviser to the senior officer.

116. The government recognises that the aim may be achieved in a range of ways and invites views on the best approach.

Question 18
Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Question 19
Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Question 20
Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Question 21
Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Question 22
Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Question 23
Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Question 24
Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Question 25

Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Question 26

What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Pool governance and reporting

117. Under the government's proposed reforms, all pools would need to move to the new minimum standards for pooling set out in chapter 2. Consistent high standards of governance for all the pools would be essential in delivering the full benefits to members and employers, providing assurance for the partner AAs that the pool is properly managed and ensuring that the AAs are able to hold the pools to account.

118. In summary the government proposes to require:

- Boards to include a representative or representatives of the group of partner AAs
- Requirement for pools to publish asset performance and transaction costs

Requirements on pool company board membership

119. The minimum standards on pooling set out in Chapter 2 would require boards of all pool companies to have the skills and experience appropriate to the leadership of an investment management company. Boards would meet the requirements for FCA authorisation including independent directors.

120. To ensure that shareholder AAs can hold the pool to account, it is important to include shareholder representation on the board. The government's proposal is that in addition to meeting the requirements of the FCA, boards should also include one or two representatives for the group of shareholder AAs, such as the chair of the shareholder committee or equivalent. These representatives would require the appropriate skills and training.

121. It will also be important to ensure that scheme members' views and interests are properly understood and taken into account by the pools. The

government therefore invites views on the best way to achieve this.

Requirement to meet transparency and reporting standards

122. The government also wishes to introduce a greater level of consistency and transparency through reporting standards for pools. Currently, all pools publish annual reports and financial statements, while some go further and publish regular in-depth reports on responsible investment or separate reports which detail breakdowns of performance by sector, such as private markets. In order to achieve a greater level of accountability and to encourage greater efficiency, the government is proposing to add requirements for pools to improve transparency and reporting, including publication of performance and transaction costs.

123. The government is exploring what this could look like for pools, and welcome views on what data and reporting would be most useful for increasing transparency. It is our intention to set out in new pooling guidance how pools should ensure transparency and accountability to members, employers and others.

Question 27

Do you agree that pool company boards should include one or two shareholder representatives ?

Question 28

What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

Question 29

Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Implementation

124. The government proposes to set out new requirements in regulations. Our intention would be to work with the Scheme Advisory Board to provide new statutory guidance on governance and training, on administration and on pooling and updated guidance on annual reports.

5. Equality impacts

Public sector equality duty

125. The Department's policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

126. We have made an initial assessment and we believe our proposals on the LGPS in chapters 2 and 4 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in disadvantaged areas which benefit from local investments.

Question 30

Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

Annex A: List of consultation proposals

Chapter 2: LGPS pooling

Proposal 1: Requirement on AAs to fully delegate the implementation of their investment strategy to their pool.

Proposal 2: Requirement on AAs to take their principal investment advice from the pool.

Proposal 3: Requirement for pools to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.

Proposal 4: Requirement for AAs to transfer legacy assets to the management of their pool.

Chapter 3: Local investment

Proposal 5: Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.

Proposal 6: Requirement on AAs to work with CAs, MCAs, CCAs, and local authorities in other areas to identify suitable local investment opportunities,

Proposal 7: Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities.

Proposal 8: Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.

Chapter 4: Governance of funds and pools

Proposal 9: Requirement to prepare and publish a governance and training strategy (replacing the governance compliance statement), including a conflicts of interest policy.

Proposal 10: Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme.

Proposal 11: Requirement to prepare and publish an administration strategy.

Proposal 12: Changes to the way in which strategies on governance and training, funding, administration and investments are published

Proposal 13: Requirement for AAs to participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified.

Proposal 14: Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.

Proposal 15: Requirement for AAs to set out within their government and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.

Proposal 16: Requirement for pension committees to include an independent person who is a pensions professional, whether as a voting member or as an adviser.

Proposal 17: Requirement for boards to include one or two representatives of shareholder AAs, such as the chair of the shareholder committee or equivalent.

Proposal 18: Requirement for pools to publish asset performance and transaction costs

Annex B: List of consultation questions

Chapter 2: LGPS pooling

Proposals

Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

Question 2: Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Question 7: Do you agree that administering authorities should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Question 8: Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered? Implementation

Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Other developments

Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

Chapter 3: Local investment

Proposals

Question 13: What are your views on the appropriate definition of 'local investment' for reporting purposes ?

Question 14: Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Question 15: Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Question 17: Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Chapter 4: Governance of funds and pools

Fund governance

Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Question 19: Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Question 21: Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Question 26: What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Pool governance

Question 27: Do you agree that pool company boards should include one or two shareholder representatives?

Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Chapter 5: Equality impacts

Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

About this consultation

This consultation document and consultation process have been planned to adhere to the consultation principles (https://www.gov.uk/government/publications/consultation-principles-guidance) issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation). In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing Communities and Local Government will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not, or you have any other observations about how we can improve the process please contact us via the complaints procedure (https://www.gov.uk/guidance/contact-the-ministry-of-housing-communities-and-local-government).

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk or by writing to the following address:

> Data Protection Officer
> Ministry of Housing Communities and Local Government
> Fry Building

2 Marsham Street
London
SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share special category (https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/lawful-basis-for-processing/special-category-data/#scd1) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By ‘special category personal data’, we mean information about a living individual’s:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics
- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by MHCLG of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

MHCLG may appoint a ‘data processor’, acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have your data corrected if it is incorrect or incomplete

d. to object to our use of your personal data in certain circumstances

e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ (https://ico.org.uk/), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@communities.gov.uk or

> Knowledge and Information Access Team
> Ministry of Housing Communities and Local Government
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

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CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday 27 November 2024
Report Subject	Exposure to business enterprises listed on the UN OHCHR database and review of Palestine Solidarity Campaign analysis
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

This report aims to inform the Committee about the Fund's exposures to the United Nations Office of the High Commissioner for Human Rights (UN OHCHR) database (2023) which identifies business enterprises involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem. Furthermore, it includes analysis regarding the Fund's exposure to companies highlighted by the Palestine Solidarity Campaign (PSC) for information purposes. The analysis is attached as an Appendix.

UN OHCHR Database

- This database identifies 97 companies, of which 7 companies are listed on public markets where the Fund could have theoretical exposure.
- Analysis shows that the Fund's public market assets have limited exposure to these companies in both the WPP Multi-Asset Credit Fund (1 company) and the LGIM Future World North America Equity Fund (4 companies).
- Mercer estimate that this exposure has a value of c.£800k or c.0.03% of total Fund assets as at 30 September 2024.

Palestine Solidarity Campaign

- Latest analysis shows that there is exposure to 8 companies from the PSC list, as at 30 September 2024.
- This exposure totalled c.£4.7m or c.0.19% of total Fund.

RECOMMENDATIONS	
1	That the Committee note the report and consider any further action to be taken following potential steps in section 1.05.

REPORT DETAILS

1.00	EXPLANATION OF ANALYSIS UNDERTAKEN
1.01	At the last Committee meeting, it was agreed to investigate the extent to which the Fund might have exposure to business enterprises listed in the United Nations Office of the High Commissioner for Human Rights (UN OHCHR) database and provide a preliminary update for the Committee. This report summarises the analysis and considers the potential next steps. Analysis has also been provided on the Palestine Solidarity Campaign (PSC) database for additional information. The Fund is aware of multiple company lists circulating in relation to exposures linked to Israel.
1.02	**Overview of UN OHCHR database** The United Nations Office of the High Commissioner for Human Rights was created to aid and provide assistance to governments to protect human rights. The purpose of this particular database is to compile and maintain a list of business enterprises involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem. This initiative aims to monitor the implications of these activities on the civil, political, economic, social, and cultural rights of the Palestinian people. It is intended to be updated annually and serves as a tool for transparency and accountability regarding the involvement of businesses in these activities, following the recommendations of an independent fact-finding mission. Business enterprises included in the database may provide information at any time demonstrating they are no longer involved in a listed activity. The UN OHCHR are reviewing the current database. Until the next update is made public, the most recent public update of the database continues to be that provided by UN OHCHR in 2023.
1.03	**Summary of analysis** Out of these 97 companies on the database, Mercer identified that 7 companies were listed / traded publicly where the Fund could theoretically have exposure. The other 90 companies are assumed to be private, and the Fund is unlikely to have exposure (the analysis was not able to verify all private companies due to the data availability and magnitude). **Fund Exposure** The Fund has exposure through: WPP Multi-Asset Credit Fund (1 company) and the LGIM Future World North America Equity Fund (LGIM FW NA) (4 companies), there was no exposure within the WPP Sustainable Active Equity (SAE) Fund. The LGIM FW NA is held within the Tactical Asset Allocation (TAA) Portfolio. A summary is provided in the next table:

UN OHCHR LIST – COMPANY EXPOSURE				
Company	**WPP SAE Fund (£)**	**WPP MAC Fund (£)**	**LGIM FW NA Equity (TAA Portfolio) (£)**	**Total (£)**
Active or passively managed	*Active*	*Active*	*Passive*	-
Total assets invested	374,647,516	338,783,404	29,361,247	742,792,167
Altice Europe N.V.	-	609,810	-	609,810
Airbnb Inc.	-	-	30,953	30,953
Booking Holdings Inc.	-	-	101,606	101,606
Expedia Group Inc.	-	-	13,996	13,996
Motorola Solutions Inc.	-	-	48,381	48,381
Total (£) **(% total Fund)**	**-**	**£609,810** **(0.02)**	**194,937** **(0.01)**	**804,747** **(0.03)**

Source: Investment Managers. UN OHCHR database June 2023. Data as at 30 September 2024. Note: WPP SAE = WPP Sustainable Active Equity Fund, WPP Multi-Asset Credit = WPP MAC, LGIM FW NA Equity = LGIM Future World North America Equity Index Fund (held within TAA portfolio).

1.04 **Review of the PSC database**

The database produced by the Palestine Solidarity Campaign (PSC) lists the investments of 63 LGPS funds in companies that PSC define as "aid Israel's breaches of international law". It contains a mixture of direct investments and investments through managed funds.

It is not clear what the as at date of the PSC analysis is; Mercer have estimated it is sometime in first half of 2023. Mercer have not looked to review the rationale for the companies selected.

PSC identified 12 companies described as 'complicit investments' in relation to the Clwyd Pension Fund. PSC lists the value of the investments at £3,705,448.

Mercer's analysis looked to reconcile the PSC analysis and identified the Clwyd Pension Fund had exposures within the following funds as at early 2023:

- 8 companies, invested in the WPP Global Opportunities Fund: the Fund divested from this vehicle in June 2023 and switched assets to the WPP Sustainable Active Equity Fund.
- 8 companies, invested in the LGIM North America Equity Fund: the Fund switched into the LGIM 'Future World' version of this fund in November 2023, which has less exposure to the PSC list.

- The debt of 3 companies, invested in the WPP Multi-Asset Credit Fund.

Latest Analysis

Analysis against the companies identified by the PSC run as at 30 September 2024, showed that the Fund had exposure to 8 companies. A summary is provided below for informational purposes:

Company	WPP SAE (£)	WPP MAC (£)	LGIM FW NA (£)	Insight B&M (£)	Total (£)
Total assets invested	374,647,516	338,783,404	29,361,247	29,164,654	998,766,587
Bank Leumi Le-Israel	-	-	-	-	-
Barclays	-	914,715	-	556,510	1,471,225
Booking.com	-	-	100,381	-	100,381
Cemex	-	338,783	-	-	338,783
Hewlett Packard	1,873,238	-	15,990	-	1,889,227
HSBC	-	-	-	781,377	781,377
Huntington Ingalls	-	-	-	-	-
Motorola	-	-	36,811	-	36,811
Northrop Grumman	-	-	35,985	-	35,985
Textron	-	-	5,703	-	5,703
Checkpoint software tech	-	-	-	-	-
Lockheed Martin	-	-	-	-	-
Total (£) **(% total Clwyd Pension Fund)**	**1,873,238** **(0.07)**	**1,253,499** **(0.05)**	**194,870** **(0.01)**	**1,337,887** **(0.05)**	**4,659,493** **(0.19)**

The analysis above was based on a larger asset value (by c.£350m) than was present as at early 2023 (driven by strategic changes, positive asset movement and a wider capture of underlying assets within the analysis e.g. TAA portfolio assets). This is a key reason for the increase in absolute exposure.

1.05	**Potential Next Steps** Options for next steps which the Committee can take: 1. Note the current exposure, take no further action. 2. Engage through the Wales Pension Partnership (WPP) and directly to managers within the TAA portfolio, in relation to companies identified in this analysis which the Fund has exposure to. 3. Develop an Exclusions Policy by going through the assessment framework within Appendix 1. The topic of developing and implementing an exclusions policy in relation to the ongoing business activities related to Israeli settlements in the Occupied Palestinian Territory is a sensitive and complex issue. The Scheme Advisory Board has released statements on dealing with lobbying and guidance to LGPS administering authorities on the legality of their investments in companies allegedly linked to violations of international law by Israel. Further information can be found in Appendix 1. The Committee are asked to consider the information within this report and propose next steps.

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	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): • Funding and Investment risks: I9 – "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."

5.00	**APPENDICES**
5.01	Appendix 1 – Exposure to business enterprises listed on the UN OHCHR database and review of Palestine Solidarity Campaign analysis.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	• Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	A list of commonly used terms are as follows: (a) **Actuary -** A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise. (b) **Administering Authority or Scheme Manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **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. (d) **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. (e) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employer's contributions to the Fund (f) **ISS – Investment Strategy Statement** The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund (g) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of (h) **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. (i) **PSC – Palestinian Solidarity Campaign –** a UK-based organisation that advocates for Palestinian rights and raises awareness about the situation in Palestine through various means, including campaigning, education, and lobbying.

	(j) **UN OHCHR – The United Nations Office of the High Commissioner for Human Rights –** part of the United Nations system and is responsible for promoting and protecting human rights globally. A comprehensive list of investment terms can be found via the following link: https://www.schroders.com/en/global/individual/investment-glossary/.

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Mercer

welcome to brighter

Clwyd Pension Fund

Exposure to business enterprises listed on the UN OHCHR database and review of Palestine Solidarity Campaign analysis

November 2024
Steve Turner

A business of Marsh McLennan

Summary

- At the last Committee meeting, it was agreed to investigate the extent to which the Fund might have exposure to business enterprises listed in the United Nations Office of the High Commissioner for Human Rights (UN OHCHR database), see next slide for further information. For completeness we have also reviewed analysis undertaken by the Palestine Solidarity Campaign (PSC).

UN OHCHR Analysis

- We have analysed the Fund's public market assets (c.£1bn or c.40%) of total assets) to assess exposure. This is where we consider exposure to be most likely and where data is most readily available.
- As at 30 September 2024, we estimate the exposure to be around c.£800k, or c.0.03% of total assets. This comes from:
  - WPP Multi-Asset Credit Fund (1 company): c.£600k / c.0.02% total Fund assets
  - LGIM Future World North America Equity Index Fund (4 companies): c.£200k / c.0.01% total Fund assets

PSC Analysis

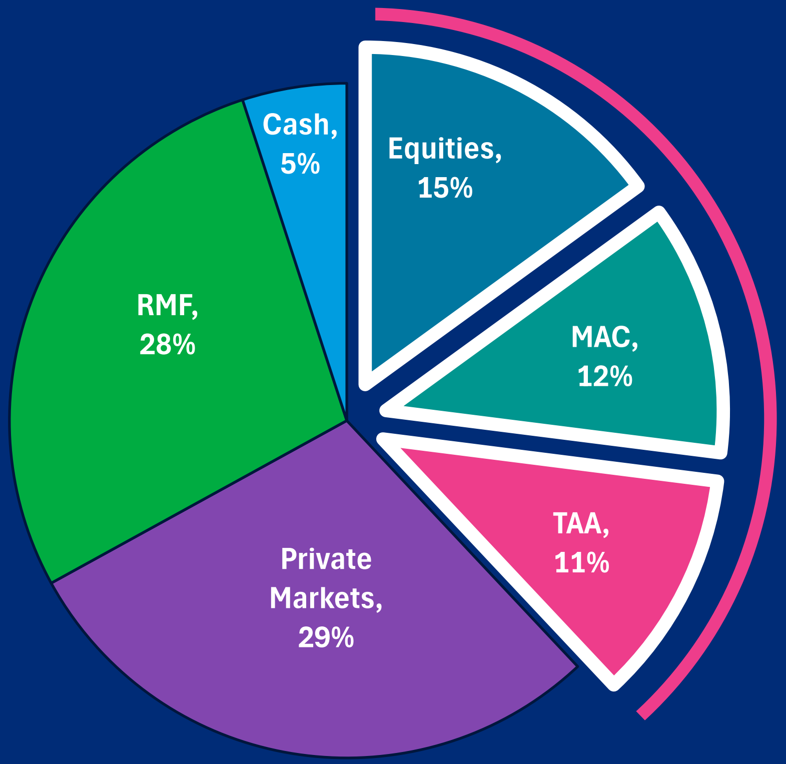
- We have also reviewed analysis from the PSC relating to the Fund. PSC identified 12 companies that the Fund had exposure to. It is not clear the 'as at' date of the PSC analysis, although we are estimating it was early 2023. Our analysis shows that:
  - 8 companies, invested in WPP Global Opportunities Fund: the Fund divested from this vehicle in June 2023 and switched assets to the WPP Sustainable Active Equity Fund.
  - 8 companies, invested in LGIM North America Equity Fund: the Fund switched into the LGIM 'Future World' version of this Fund in November 2023, which has less exposure to the PSC list.
  - 3 companies, invested in WPP Multi-Asset Credit Fund.
- Analysis of the companies identified by the PSC as at September 2024 shows that the Fund had exposure to 8 companies across the WPP and TAA Portfolio assets.
- We estimate that this equates to £4.66m (c.0.19% total Fund assets).

Governance Considerations

- Should the Committee wish to consider developing an exclusions policy in relation to business enterprises with exposure to activities related to Israeli settlements in the Occupied Palestinian Territory Israel, a number of governance related issues should be considered further.

Mercer *Source: UN OHCHR database June 2023, Palestine Solidarity Campaign - https://lgpsdivest.org/lgps-investments/*

Strategic Asset Allocation



Liquid assets analysed

UN OHCHR Database Analysis

UN OHCHR Database

Summary

United Nations

Overview	Information
What is the UN OHCHR?	The United Nations Office of the High Commissioner for Human Rights was created to aid and provide assistance to governments to protect human rights.
What is the UN database?	The purpose of this particular database is to compile and maintain a list of business enterprises involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem. This initiative, aims to monitor the implications of these activities on the civil, political, economic, social, and cultural rights of the Palestinian people. It is intended to be updated annually and serves as a tool for transparency and accountability regarding the involvement of businesses in these activities, following the recommendations of an independent fact-finding mission. Business enterprises included in the database may provide information at any time demonstrating they are no longer involved in a listed activity.

Source: UN OHCHR database June 2023

UN OHCHR Database

United Nations

Summary

Reasons for being listed on UN OHCHR database	Information
The following reasons detail why companies are included on the database	• The supply of equipment and materials facilitating the construction and the expansion of settlements and the wall, and associated infrastructure;
	• The supply of surveillance and identification equipment for settlements, the wall and checkpoints directly linked with settlements;
	• The supply of equipment for the demolition of housing and property, the destruction of agricultural farms, greenhouses, olive groves and crops;
	• The supply of security services, equipment and materials to enterprises operating in settlements;
	• The provision of services and utilities supporting the maintenance and existence of settlements, including transport;
	• Banking and financial operations helping to develop, expand or maintain settlements and their activities, including loans for housing and the development of businesses;
	• The use of natural resources, in particular water and land, for business purposes;
	• Pollution, and the dumping of waste in or its transfer to Palestinian villages;
	• Captivity of the Palestinian financial and economic markets, as well as practices that disadvantage Palestinian enterprises, including through restrictions on movement, administrative and legal constraints;
	• The use of benefits and reinvestments of enterprises owned totally or partially by settlers for developing, expanding and maintaining the settlements.

The UN OHCHR is reviewing the current database.
Until the next update is made public, the most recent public update of the database continues to be that provided by UN OHCHR in 2023.

Source: UN OHCHR database June 2023

UN OHCHR Database

Overview

- The current UN OHCHR database identifies 97 business enterprises.
- Out of the 97 business enterprises, we have identified that only 7 were listed/ traded publicly where the Fund could theoretically have exposure.
- The other 90 companies are believed to be private and the Fund is unlikely to have exposure *(we have not been able to verify all private companies due to data availability and magnitude).*
- We analysed the MSCI All Country World Index ("ACWI") as a base reference to exposures to the listed business enterprises; the index had exposure to all 7 companies. This, therefore, represents the "potential" exposure that the Fund could have in the publicly traded assets.
  - Airbnb
  - Alstom
  - Bank Hapoalim
  - Booking Holdings
  - Expedia Group
  - Mizrahi Tefahot
  - Motorola Solutions

0.41%

The proportion the 7 listed companies represent of the MSCI ACWI market capitalisation

0.26%

7 out of 2688 companies within MSCI ACWI are on UN OHCHR database

Source: UN OHCHR database June 2023. Refinitiv (MSCI ACWI as at 30 September 2024).

Listed Companies on the UN OHCHR Database

MSCI ACWI Exposure

Company	Country Listed	Sectors	MSCI ACWI Weight[1] (%)	Reasons why on UN OHCHR List[2]
Airbnb Inc.	USA	Consumer Discretionary	0.07	• The provision of services and utilities supporting the maintenance and existence of settlements including transport.
Alstom S.A.	France	Industrials	0.01	• The provision of services and utilities supporting the maintenance and existence of settlements including transport, • The use of natural resources, in particular water and land, for business purposes.
Bank Hapoalim B.M.	Israel	Financials	0.02	• The provision of services and utilities supporting the maintenance and existence of settlements including transport, • Banking and financial operations helping to develop, expand or maintain settlements and their activities, including loans for housing and the development of businesses. • The use of natural resources, in particular water and land, for business purposes.
Booking Holdings Inc.	USA	Consumer Discretionary	0.18	• The provision of services and utilities supporting the maintenance and existence of settlements including transport.
Expedia Group Inc.	USA	Consumer Discretionary	0.02	• The provision of services and utilities supporting the maintenance and existence of settlements including transport.
Mizrahi Tefahot Bank Ltd.	Israel	Financials	0.01	• The provision of services and utilities supporting the maintenance and existence of settlements including transport, • Banking and financial operations helping to develop, expand or maintain settlements and their activities, including loans for housing and the development of businesses. • The use of natural resources, in particular water and land, for business purposes.
Motorola Solutions Inc.	USA	Information Technology	0.10	• The supply of security services, equipment and materials to enterprises operating in settlements. • The provision of services and utilities supporting the maintenance and existence of settlements including transport.
Total			**0.41**	

Source: [1]Refinitiv - MSCI ACWI 30 September 2024. [2][UN OHCHR database June 2023](UN OHCHR database June 2023).

Clwyd Pension Fund

Exposure to business enterprises on UN OHCHR database: as at 30 September 2024

Company	Strategic WPP Sustainable Active Equity (£)	WPP Multi-Asset Credit (£)	Tactical LGIM Future World North America (£)	Total (£)
Total assets invested	**374,647,516**	**338,783,404**	**29,361,247**	
Active or passively managed	Active	Active	Passive: therefore, manager holds stocks to track index	
Altice Europe N.V.	-	609,810	-	609,810
Airbnb Inc.	-	-	30,953	30,953
Booking Holdings Inc.	-	-	101,606	101,606
Expedia Group Inc.	-	-	13,996	13,996
Motorola Solutions Inc.	-	-	48,381	48,381
Total (£) (% total Clwyd Pension Fund)	**-**	**609,810 (0.02)**	**194,937 (0.01)**	**804,747 (0.03)**

Source: Investment Managers. UN OHCHR database June 2023. Data as at 30 September 2024.
Note: Total Clwyd Pension Fund value as at 30 September 2024 = 2,505,306,685, as at 30 June 2023 = £2,286,307,124. WPP SAE = WPP Sustainable Active Equity Fund, WPP Multi-Asset Credit = WPP MAC, LGIM FW NA Equity = LGIM Future World North America Equity Fund (held within TAA portfolio).

Review of PSC Analysis

The Palestine Solidarity Campaign

PSC company database exposure - Clwyd Pension Fund

- The database produced by the Palestine Solidarity Campaign (PSC) lists the investments of 63 LGPS funds in companies that PSC define as "aid[ing] Israel's breaches of international law". It contains a mixture of direct investments and investments through funds.
- It is not clear the 'as at' date of the PSC analysis; we have estimated it is sometime in the first half of 2023. We have not looked to review the rationale for the companies selected.
- PSC identified 12 companies described as 'complicit investments' in relation to the Fund. PSC lists the value of the investments at **£3,705,448**.
  - 8 companies, invested in the WPP Global Opportunities Fund: the Fund divested from this vehicle in June 2023 and switched assets to the WPP Sustainable Active Equity Fund.
  - 8 companies, invested in the LGIM North America Equity Fund: the Fund switched into the LGIM 'Future World' version of this Fund in November 2023, which has less exposure to the PSC list.
  - 3 companies, invested in the WPP Multi-Asset Credit Fund.
- **Booking.com** and **Motorola** appear on both the PSC and UH OHCHR database.

Clwyd Pension Fund exposure identified by PSC		
Company	**Value of Investment (£)**	**Assets present in**
Bank Leumi Le-Israel	112,538	WPP GO
Barclays	65,437	WPP GO & WPP MAC
Booking.com	**136,473**	**WPP GO, LGIM NA**
Cemex	1,509,814	WPP MAC
Check point software tech	55,228	LGIM NA
Hewlett Packard (HP)	306,379	WPP GO, LGIM NA
HSBC	56,714	WPP GO, WPP MAC
Huntington Ingalls	102,240	LGIM NA
Lockheed Martin	395,331	LGIM NA
Motorola	**111,148**	**WPP GO, LGIM NA**
Northrop Grumman	658,688	WPP GO, LGIM NA
Textron	195,458	WPP GO, LGIM NA
Total	**3,705,448**	

Source: Palestine Solidarity Campaign - https://lgpsdivest.org/lgps-investments/
Note: LGIM NA = LGIM North America Equity Fund within the TAA portfolio.

The Palestine Solidarity Campaign

Exposure to companies on PSC list

- PSC reference £3.7m (estimated early 2023). Latest analysis shows exposure to companies identified by PSC totalled an estimated c.£4.7m; the higher exposure is driven by higher market values of the assets analysed.

	Strategic allocations		Tactical allocations		
Company	**WPP Sustainable Active Equity (£)**	**WPP Multi-Asset Credit (£)**	**LGIM Future World North America (£)**	**Insight B&M (£)**	**Total (£)**
Total assets invested	**374,647,516**	**338,783,404**	**29,361,247**	**29,164,654**	
Bank Leumi Le-Israel	-	-	-	-	-
Barclays	-	914,715	-	556,510	1,471,225
Booking.com (also on UN database)	-	-	**100,381**	-	**100,381**
Cemex	-	338,783	-	-	338,783
Hewlett Packard	1,873,238	-	15,990	-	1,889,227
HSBC	-	-	-	781,377	781,377
Huntington Ingalls	-	-	-	-	-
Motorola (also on UN database)	-	-	**36,811**	-	**36,811**
Northrop Grumman	-	-	35,985	-	35,985
Textron	-	-	5,703	-	5,703
Checkpoint software tech	-	-	-	-	-
Lockheed Martin	-	-	-	-	-
Total (£) (% total Clwyd Pension Fund)	**1,873,238 (0.07)**	**1,253,499 (0.05)**	**194,870 (0.01)**	**1,337,887 (0.05)**	**4,659,493 (0.19)**

Source: Investment Managers. Palestine Solidarity Campaign - https://lgpsdivest.org/lgps-investments/ Exposures for WPP funds as at 30 September, exposures for LGIM and Insight funds as at 31 March 2024. All exposure scaled on values as at 30 September 2024. Total Clwyd Pension Fund value as at 30 September 2024 = 2,505,306,685, as at 30 June 2023 = £2,286,307,124.
Note: LGIM FW NA = LGIM Future World North America Equity Fund, Insight B&M = Insight Short Dated Buy and Maintain Bond Fund. Both funds are held within the Tactical Asset Allocation Portfolio.

Governance Considerations

Governance issues to consider

- The topic of developing and implementing an exclusions policy in relation to the ongoing business activities related to Israeli settlements in the Occupied Palestinian Territory is a sensitive and complex issue.

- The Scheme Advisory Board has released statements on dealing with lobbying and guidance to LGPS administering authorities on the legality of their investments in companies allegedly linked to violations of international law by Israel. We provide an overview of these.

- We also outline an assessment framework should the Committee be interested in developing and implementing an exclusions/divestment policy.

Statement on Fiduciary Duty and dealing with lobbying

Scheme Advisory Board: September 2024

Issue	Key points
Background	The SAB has released a statement in light of *'increasing levels and extreme forms of lobbying about how LGPS funds are invested. 'The Board has decided to make this statement to make clear its view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met.'.*
The Statement	The full statement can be found here, https://lgpsboard.org/images/Other/SAB_Statement_Fiduciary_Duty_Lobbying_Sept2024.pdf but we have highlighted the most prescient points below.
Key points	"Consideration of non-financial factors is also permitted, the amount of weight (if any) attached to such factors is at the discretion of the administering authority. AAs may do so only where it would not lead to significant financial detriment and where it would have the support of the scheme beneficiaries." "The Board is seeking an opinion from Counsel as to whether there is a need to update the previous advice received on the nature of fiduciary duty for LGPS AAs." "It is not appropriate for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers (except as where prescribed in law, e.g. under the Sanctions and Anti-Money Laundering Act 2018). The Supreme Court held, in its judgment on the Palestine Solidarity Campaign case, that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under the fiduciary duty." "To the extent that environmental, social or governance considerations are applied, these should be framed in terms of what the scheme members would support or share the concern about those considerations." "When acting within their fiduciary duty the Administering Authority is legally obliged to limit itself to acting in the best interests of scheme members (as defined above) and the views of local residents generally on ESG matters is not relevant." "The quasi-trustee role means that decisions made by the Pension Committee should not privilege one group of scheme members over another. This creates an obvious tension when Pension Committees know that scheme members are likely to hold strong but very different views on a particular subject. Where such disagreements are anticipated, the Pension Committee should try and keep focus on financial factors and avoid taking one position against another."
Summary	**Dealing with the issue of exclusions is complicated and requires careful consideration, with supporting legal and investment advice (see following slides). The recent SAB statement is useful and highlights the issue about how to consider and evidence scheme member views (which has its own issues in terms of how to do and assess).**

Counsel Opinion and LGPS – Implications of Current Events concerning Gaza

Scheme Advisory Board: October 2024

Issue	Key points
Background	A legal opinion from Nigel Giffin KC (Counsel) has been shared by SAB, which provides guidance to LGPS administering authorities on the legality of their investments in companies allegedly linked to violations of international law by Israel, specifically concerning Gaza and the occupied Palestinian territories. Giffin conducted his review under English law (not Welsh), however, the applicability is assumed similar.
The Statement	The full statement drafted in October 2024 can be found here, but we have highlighted the most prescient points below.
Key points	Giffin's opinion was requested after some LGPS authorities received letters urging them to divest from companies allegedly "complicit" in human rights abuses by supplying goods or services to Israel, similar to the UN OHCHR's reasons. The guidance explores potential **criminal liability** and **public law obligations**. Giffin considers investing in companies linked to Israel's actions does not meet the criteria for criminal liability. Assessing authorities' liability under 'Ancillary Offenses under ICCA' and the 'Terrorism Act 2000' show that merely investing in a company is too indirect to be considered "assisting" alleged war crimes or crimes against humanity, even if the company provides goods to Israel's military. The opinion considers that actions taken by a foreign government, such as Israel, in pursuit of state interests do not meet the definition of "terrorism" under UK law, meaning that investing in companies supplying Israel does not constitute an arrangement under the Act. Therefore, there is insufficient evidence to demonstrate the necessary intent or knowledge of LGPS authorities for criminal liability In assessing authorities' public law obligations, Giffin notes that he cannot see any rule or provision of domestic law which might plausibly fall to be interpreted in order to give effect to a particular international law in this context. He clarifies that international law obligations, including recent UN resolutions and an advisory opinion from the International Court of Justice, do not automatically bind local authorities in the UK unless explicitly legislated by Parliament. Additionally, UK law does not require LGPS authorities to divest from companies based on international law or to refrain from investments associated with foreign conflicts.
Summary	**Griffin concludes that in his opinion there is no legal basis that administering authorities are acting in an unlawful manner. Griffin will provide his opinion on the extent to which administering authorities might be entitled (rather than obliged) to have regards to such matters, in due course. It is still recommended that individual Fund's take their own legal advice.**

Robust assessment framework

In the scenario that the Committee is interested in developing and implementing an exclusions/divestment policy

Action	Points to consider

1. Define clearly the disinvestment policy	• Committee should clearly define what it wants to achieve, and therefore what it may want to exclude and divest from. Potential approaches:
	    • Investments that are deemed inconsistent with International Law?
	    • Divest from businesses that are listed in a particular region?
	    • Divest from businesses operating in certain sectors (e.g. defence / armaments). Should this be subject to, for example, a revenue threshold?

2. Obtain legal advice	• Under what circumstances would the Committee's ambition be/not be consistent with its fiduciary duty? • Are there any similar precedents in the LGPS? • Ramifications if implementing any divestment / exclusions policy meaning a large proportion of assets had to be invested outside of WPP given current and forthcoming guidance and regulation on pooling? • How would any stance taken by the Committee now impact future potential stances? Would the Committee be able to apply any beliefs consistently if similar situations arose in future? • Are there any other legal considerations or potential sources of legal risk the Committee should be aware of?
3. Financial impacts	• What potential impact could the exclusions have on expected and realised returns? This could potentially be material, depending on how exclusions are defined. The cumulative impact of new exclusions, combined with the Fund's Climate Objective exclusions would need to be considered. • What is the expected impact on portfolio risk (in terms of volatility of returns).
4. Member views	• How to evidence and assess member views on any potential exclusions, taking into account recent comments from the Scheme Advisory Board.

Robust assessment framework

In the scenario that the Committee is interested in developing and implementing an exclusions/divestment policy

Action	Points to consider
4. Implementation impacts	• Could the policy be implemented via WPP? • Can it be implemented outside the pool? Are there suitable managers willing to run mandates similar to the Fund's current investments but with specific exclusions? • Impact on set-up and ongoing costs.
5. Communication of changes	• Committee would need a full understanding of the legal and implementation ramifications before potential communication to stakeholders.
6. Longer-term considerations	• If circumstances changed, what would be the trigger for removing the exclusions? • Cost implications of making changes.

Appendix

UN OHCHR Database

General Assembly

Distr.: General
2 August 2024

Original: English

Human Rights Council
Fifty-seventh session
9 September–9 October 2024
Agenda item 2
Annual report of the United Nations High Commissioner for Human Rights and reports of the Office of the High Commissioner and the Secretary-General

Database of all business enterprises involved in the activities detailed in paragraph 96 of the report of the independent international fact-finding mission to investigate the implications of the Israeli settlements on the civil, political, economic, social and cultural rights of the Palestinian people throughout the Occupied Palestinian Territory, including East Jerusalem

Report of the United Nations High Commissioner for Human Rights*

Source: [UN OHCHR database August 2024](#).

UN OHCHR Database

Companies on database - June 2023

B. Business enterprises involved in listed activities:

B. Business enterprises involved in listed activities:

B. Business enterprises involved in listed activities:

n°	*Business enterprise*	*Sub-paragraph of listed activity*	*State concerned*
1.	Airbnb Inc.	(e)	United States of America
2.	American Israeli Gas Corporation Inc.	(e), (g)	Israel
3.	Amir Marketing and Investment in Agriculture Inc.	(g)	Israel
4.	Amos Hadar Properties and Investments Ltd.	(g)	Israel
5.	Angel Bakeries	(e), (g)	Israel
6.	Archivists Ltd.	(g)	Israel
7.	Ariel Properties Group	(e), (g)	Israel
8.	Ashtrom Industries Ltd.	(g)	Israel
9.	Bank Hapoalim B.M.	(e), (f), (g)	Israel
10.	Bank Leumi Le-Israel B. M.	(e), (f), (g)	Israel
11.	Bank of Jerusalem Ltd.	(e), (f), (g)	Israel
12.	Beit Haarchiv Ltd.	(g)	Israel
13.	Bezeq the Israel Telecommunication Corp. Ltd.	(e), (g)	Israel
14.	Booking.com B. V.	(e)	Netherlands
15.	C Mer Industries Ltd.	(b)	Israel
16.	Café Café Israel Ltd.	(e), (g)	Israel
17.	Caliber 3	(d), (g)	Israel
18.	Cellcom Israel Ltd.	(e), (g)	Israel
19.	Cherriessa Ltd.	(g)	Israel
20.	Chish Nofei Israel Ltd.	(g)	Israel
21.	Comasco Ltd.	(a)	Israel
22.	D.B.S Satellite Services Ltd.[5]	(e)	Israel
23.	Delek Group Ltd.	(e), (g)	Israel
24.	Delta Israel Brands Ltd.[6]	(g)	Israel
25.	Dor Alon Energy in Israel 1988 Ltd.	(e), (g)	Israel
26.	Egis Rail	(e)	France
27.	Egged Transportation Ltd.[7]	(e)	Israel
28.	Electra Afikim[8]	(e)	Israel
29.	EPR Systems Ltd.	(e), (g)	Israel
30.	Extal Ltd.	(g)	Israel
31.	Expedia Group Inc.	(e)	United States of America
32.	Field Produce Ltd.	(g)	Israel
33.	Field Produce Marketing Ltd.	(g)	Israel
34.	First International Bank of Israel Ltd.	(e), (f), (g)	Israel
35.	Galshan Shvakim Ltd.	(e), (d)	Israel
36.	Hadiklaim Israel Date Growers Cooperative Ltd.	(g)	Israel
37.	Hot Mobile Ltd.	(e), (g)	Israel
38.	Hot Telecommunications Systems Ltd.	(e), (g)	Israel
39.	Mivne Real Estate (K.D) Ltd.[9]	(g)	Israel
40.	Israel Discount Bank Ltd.	(e), (f), (g)	Israel
41.	Israel Railways Corporation Ltd.	(g), (h)	Israel
42.	Italek Ltd.	(e), (g)	Israel
43.	J.C. Bamford Excavators Ltd.	(a)	United Kingdom of Great Britain and Northern Ireland
44.	Kavim Public Transportation Ltd.	(e)	Israel
45.	Lipski Installation and Sanitation Ltd.	(g)	Israel
46.	Matrix IT Ltd.	(e), (g)	Israel
47.	Mayer Davidov Garages Ltd.	(e), (g)	Israel
48.	Mekorot Water Company Ltd.	(e), (g)	Israel
49.	Mercantile Discount Bank Ltd.	(e), (f), (g)	Israel
50.	Merkavim Transportation Technologies Ltd.	(e)	Israel
51.	Mizrahi Tefahot Bank Ltd.	(e), (f), (g)	Israel
52.	Modi'in Ezrachi Group Ltd.	(d), (e), (g)	Israel
53.	Mordechai Aviv Tassiot Beniyah 1973 Ltd.	(g)	Israel
54.	Motorola Solutions Israel Ltd.	(e), (d)	Israel
55.	Naaman Group Ltd.	(e), (g)	Israel
56.	Nof Yam Security Ltd.	(e), (d)	Israel
57.	Ofertex Industries 1997 Ltd.	(g)	Israel

Source: UN OHCHR database June 2023

UN OHCHR Database

Companies on database - June 2023

Page 311

B. Business enterprises involved in listed activities:

n°	Business enterprise	Sub-paragraph of listed activity	State concerned
58.	Opodo Ltd.	(e)	United Kingdom of Great Britain and Northern Ireland
59.	Partner Communication Company Ltd.	(e), (g)	Israel
60.	Paz Oil Company Ltd.	(e), (g)	Israel
61.	Pelephone Communications Ltd.	(e), (g)	Israel
62.	Proffimat S. R. Ltd.	(g)	Israel
63.	Rami Levy Chain Stores Hashikma Marketing 2006 Ltd.	(e), (g)	Israel
64.	Rami Levy Hashikma Marketing Communications Ltd	(e), (g)	Israel
65.	Re/Max Israel	(e), (g)	Israel
66.	Shalgal Food Ltd.	(g)	Israel
67.	Shapir Engineering and Industry Ltd.	(e), (g)	Israel
68.	Shufersal Ltd.	(e), (g)	Israel
69.	Sonol Israel Ltd.	(e), (g)	Israel
70.	Superbus Ltd.	(e)	Israel
71.	Supergum Industries 1969 Ltd.	(g)	Israel
72.	Tahal Group International B.V.	(e)	Netherlands
73.	TripAdvisor Inc.	(e)	United States of America
74.	Twitoplast Ltd.	(g)	Israel
75.	Unikowsky Maoz Ltd.	(g)	Israel
76.	Zakai Agriculture Know-how and inputs Ltd.	(g)	Israel
77.	ZF Development and Construction	(g)	Israel
78.	ZMH Hammerman Ltd.	(e), (g)	Israel
79.	Zriha Hlavin Industries Ltd.	(g)	Israel

C. Business enterprises involved as parent companies:

n°	Business enterprise	Sub-paragraph of listed activity	State concerned
80.	Alon Blue Square Israel Ltd.	(e), (g)	Israel
81.	Alstom S.A.[10]	(e), (g)	France
82.	Altice International Ltd.[11]	(e), (g)	Luxembourg
83.	Ashtrom Group Ltd.	(g)	Israel
84.	Booking Holdings Inc.	(e)	United States of America
85.	Delta Galil Industries Ltd.	(g)	Israel
86.	eDreams ODIGEO S.A.	(e)	Spain
87.	Egis Group[12]	(e)	France
88.	Electra Group Ltd.[13]	(e), (g)	Israel
89.	Export Investment Company Ltd.	(e), (f), (g)	Israel
90.	Hadar Group	(g)	Israel
91.	Hamat Group Ltd.	(g)	Israel
92.	Kardan N.V.	(e)	Netherlands
93.	Mayer's Cars and Trucks Co. Ltd.	(e)	Israel
94.	Motorola Solutions Inc.	(e), (d)	United States of America
95.	Natoon Group	(e), (d)	Israel
96.	Villar International Ltd.	(g)	Israel

D. Business enterprise involved as licensors or franchisors:

n°	Business enterprise	Sub-paragraph of listed activity	State concerned
97.	Greenkote P.L.C.	(g)	United Kingdom of Great Britain and Northern Ireland

Source: UN OHCHR database June 2023

Mercer

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday 27 November 2024
Report Subject	Climate Change Analysis Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with the following documents which relate to the climate change analysis undertaken on the Clwyd Pension Fund's ("the Fund") assets;

- A draft of the Task Force on Climate-Related Financial Disclosures ("TCFD") report;
- A draft summary of the key points from the TCFD report for scheme members and other interested stakeholders;
- The latest Analytics for Climate Transition ("ACT") analysis carried out for the Fund.

Key Highlights

- Within the Listed Equity portfolio, the Fund has decreased its Carbon Footprint by 40.2% since the 2021 baseline and is ahead of its 2025 interim decarbonisation target.
- The Fund has achieved its target of having all of its Listed Equity portfolio invested in sustainable mandates by 2030.
- The Fund has decreased its Carbon Footprint by c.80% within the Tactical Asset Allocation (TAA) portfolio since 2022.
- The Fund has conducted analysis on two core metrics from the Taskforce on Nature-related Financial Disclosures (TNFD), which are shown within the TCFD report. Committee will also be receiving training on TNFD in 2025.

These documents cover the period ending 31 March 2024, and are attached as appendices to this report. The report and the appendices include key findings in relation to the Fund's decarbonisation and actions for the future.

RECOMMENDATIONS	
1	That the Committee consider, discuss and note the draft Task Force on Climate-Related Financial Disclosures (TCFD) report, draft member summary and the analysis from the Analytics for Climate Transition (ACT).
2	The Committee to review and agree the updates to the Fund's targets shown in section 1.11 that look to align an existing Engagement Target and implement a new Alignment Target in line with latest guidance from the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF) 2.0.

REPORT DETAILS

1.00	**Climate change analysis of the Fund's Assets**
1.01	**Overview** The Committee recognise climate change as a key risk that could impact the value of the assets of the Fund if not properly measured and managed. The Investment Strategy Statement (ISS) documents the Committee's beliefs in relation to managing climate risk and agreed targets to measure progress made towards decarbonisation. Although it is currently not a requirement for LGPS funds to produce a TCFD report, it was decided that the Fund would report this information on a voluntary basis, given that the targets and monitoring of greenhouse gas emissions is already being undertaken. In addition, climate change is a key focus of the Committee, and the additional reporting helps monitor and publicise the Fund's progress.
1.02	**TCFD report** TCFD reporting provides a framework for greater transparency and understanding in relation to how this risk is being managed for the Clwyd Pension Fund. The draft of the TCFD report is included in Appendix 1. In addition a draft member summary has been prepared which highlights the key points of the report, and it is proposed that this will be uploaded to the Clwyd Pension Fund website alongside the main report to provide a simple yet focussed overview of the Fund's approach to managing climate risk. This is attached as Appendix 2. Section 3 of the report provides more background on the TCFD framework. The Fund will continue to report on this basis until LGPS TCFD requirements are formalised. The TCFD report covers the following key areas: • Governance • Strategy • Risk Management • Metrics and targets
1.03	*Governance* The Fund has a strong governance framework through the Committee, the Pension Board, the Advisory Panel, a Scheme of Delegation as well as expert advisers including those providing regulated investment advice. This robust and proven governance structure is being applied in relation to how the Fund manages climate risk. As some of the Fund's assets are invested through the Wales Pension Partnership (WPP), it is important to work with WPP to deliver the climate beliefs of Fund.

	The WPP is responsible for appointing the voting and engagement provider (currently Robeco), creating new sub-funds for the Constituent Authority members, and reporting and monitoring on climate exposures within the WPP investment funds.
1.04	*Strategy* The Committee has considered the impact of climate change on the Fund's investment strategy. Analysis showed that in most scenarios, climate change would have a negative impact on the Fund's financial position unless the implementation of the strategy continues to evolve as the world decarbonises. The Committee has approved a number of climate beliefs within the Investment Strategy which are: • Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio. • Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund but is also consistent with the long-term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders. • Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy. • As well as creating risk, climate change also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy. Initiatives that the Fund have conducted to date includes: • Helped develop a sustainable equity mandate with the WPP, and since allocated to this mandate along with other constituent authorities within WPP; • Introduced more sustainable / ESG focused funds, where possible, into the Tactical Asset Allocation ("TAA") Portfolio when implementing new positions; • Implemented a fossil fuel 'Exclusions Policy' in relation to our listed equity holdings; • Engaged with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture; • Supported investments with strong sustainability/ impact focus by allocating 8% of the total portfolio to local / impact focused investments within Private Markets; • Endeavoured to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible; • Engaged with a subset of the existing Private Market managers using an enhanced version of our engagement template to gather climate metrics specific to each managers asset class.

	During the period 1 April 2023 to 31 March 2024, the Fund continued to increase its commitments to local/ impact focused portfolios within private markets, this included investments with a focus on clean energy and energy transition. The Fund's strategic allocation to local/impact investments was also increased from 6% to 8%. Looking forward, the Fund will continue to: • identify ways to reduce ongoing greenhouse gas emissions in order to meet agreed targets; • reduce and eventually remove fossil fuel company exposure; • continue to commit to investments that support the energy transition • continue to increase the analysis coverage of the Fund's; • investments, with a focus on private market assets using the new template in line with the latest IIGCC guidance for climate analysis.
1.05	*Risk management* The Fund already has a Risk Management Strategy in place, which is being applied to managing climate risk in the same way as it is used to manage all other investment risks. The Fund prioritises the management of risks primarily based on the potential impact on the financial stability of the Fund and employer contribution rates. The Fund manages risk through Governance, Strategy, Reporting, Manager Selection and Monitoring, and Active Stewardship. Further information is provided within the report in Appendix 1.
1.06	*Metrics and targets* The Committee has 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 overall target, there are a number of other key targets as outlined below: a) for the Fund as a whole: • to have at least 30% of the Fund's assets allocated to sustainable investments by 2030. • to expand the measurement of the carbon emissions of the Fund's investments to include as many components of the assets as possible, based on the availability of reliable and accurate data. b) 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: o by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

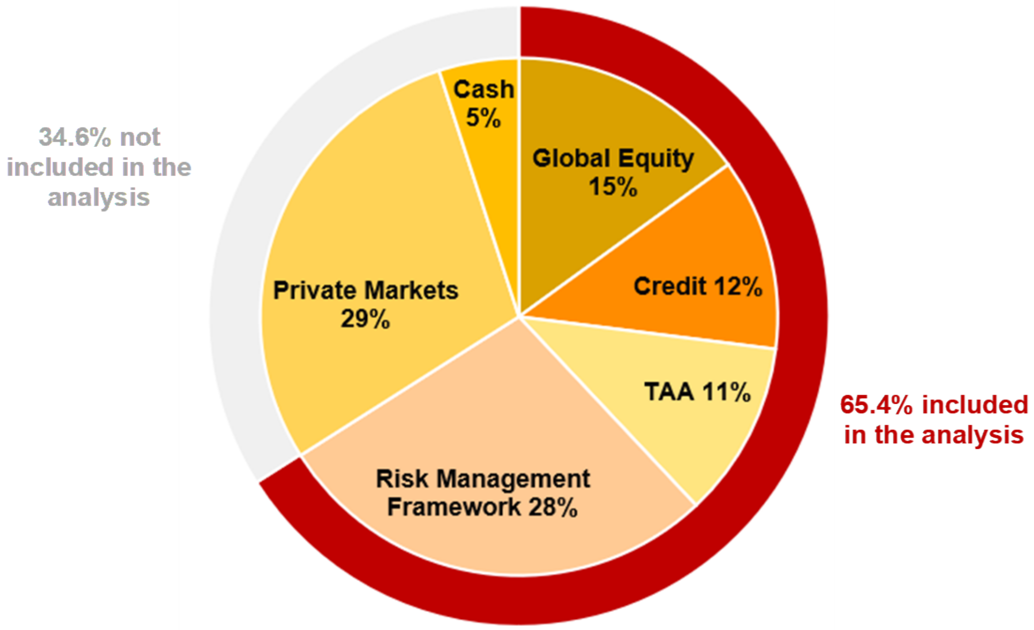
	○ by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective. In 2023, the Fund developed an exclusions policy assessment framework in relation to its physical listed equity portfolio. 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. A snapshot of the existing policy is shown below for reference and highlights of the progress are shown in section 1.10.

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition
SAA Weight	-	-
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	1%	1%
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%

	A summary of the Fund's performance against these targets, including progression again the 2021 baseline is included in the ACT report in Appendix 3 and main highlights are provided within the TCFD report in Appendix 1. In order to be able to measure whether the Fund is achieving these targets, the following climate-related metrics are being used: • Absolute emissions metric • Emissions intensity metric: Carbon Footprint • Emissions intensity metric: Weighted Average Carbon Intensity (WACI)
1.07	*Taskforce on Nature-related Financial Disclosures ("TNFD")* Analysis has been conducted on the listed equities and multi-asset credit "MAC" (corporate bond exposure) mandates to map the exposure to two core metrics from TNFD, namely:

	• Metric 1 - Exposure to priority sectors • Metric 2 - Exposure to biodiversity-sensitive locations Analysis was conducted on the Fund's listed equities and corporate bond exposure (within the Multi-Asset Credit ("MAC") mandate). The analysis was an important first step in identifying key nature risk exposures. The analysis noted that under both metrics that there was significant exposure within listed equities, and marginal exposure within the corporate bond holdings. Significant exposure to these metrics does not necessarily indicate that the Fund is negatively affecting these areas. Instead it provides a starting point for conversation with underlying managers on the topics to see how the companies within these areas are operating (positively or negatively) from a nature perspective. Highlights of the analysis can be found within Appendix 1. TNFD training will be provided to the Committee and Board on 19 February 2025.
1.08	**Analytics For Climate Transition (ACT)** The ACT report is included in Appendix 3. It provides a detailed analysis and information on the Fund's climate metrics, information on progress achieved versus targets and future areas of focus. *Purpose of analysis* The ACT analysis provides the Fund with an updated understanding of the Fund's climate transition progress and potential ("transition capacity") as at 31 March 2024. It is the fourth year of this analysis. The aim of the ACT analysis is to: • Monitor progress against the Fund's targets, including decarbonisation and explores the proportion of emissions within material sectors that are currently under engagement or aligned with a low carbon future; • Understand the transition capacity of the Fund's assets; • Present an updated high level implementation plan for the relevant assets, with an overview of areas to focus on in the coming years. Carbon footprint is the primary metric for monitoring the decarbonisation progress; progress is also monitored against absolute emissions and weighted average carbon intensity (WACI). The targets were set relative to a baseline in 2021.
1.09	*Holdings analysed* Carbon metrics have been analysed on 65.4% of the Fund's assets, which is a significant increase from 2023 (40.6%), this is a result of the inclusion of the Risk Management Framework ("RMF") portfolio. Analysis was carried out on the Fund's listed equities, synthetic equity exposure, MAC, TAA Portfolio and RMF.

An additional c.11% of the Fund’s assets relating to private market holdings are being captured as part of an ongoing data collation exercise, using a new template created in line with latest market guidance (IIGCC). This exercise is still in progress. The aim is to be able to bring the private market assets into the main analysis over time as data and comparability improves.



Where there is partial coverage of a portfolio the absolute emissions metric is scaled up to estimate coverage for 100% of the mandate.

Detailed analysis on each of the asset classes analysed is shown within Appendix 3.

1.10 *Key findings and areas for focus*

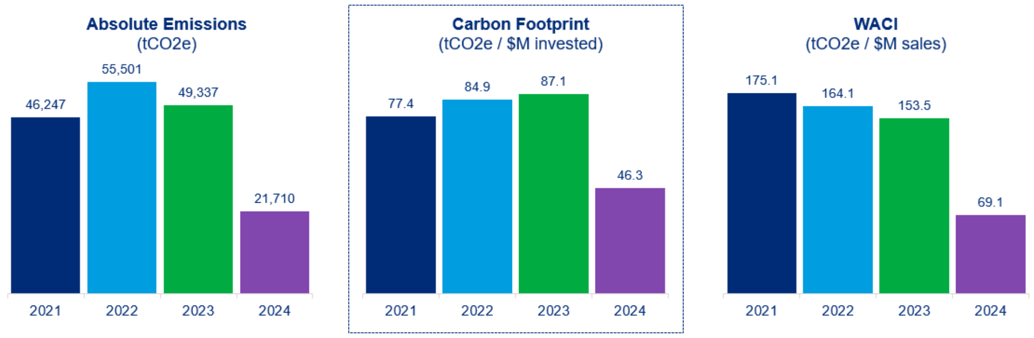
Appendix 3 provide a full breakdown of the Fund’s progress against its targets. Key findings from the ACT analysis are summarised below:

Total Fund

- Target setting is currently focused on listed equities with other asset classes being incorporated over time.
- The Fund is on track to have at least 30% of its assets allocated to sustainable investment by 2030, as the analysis shows the Fund has c.29% of assets invested or to be invested in sustainable mandates.

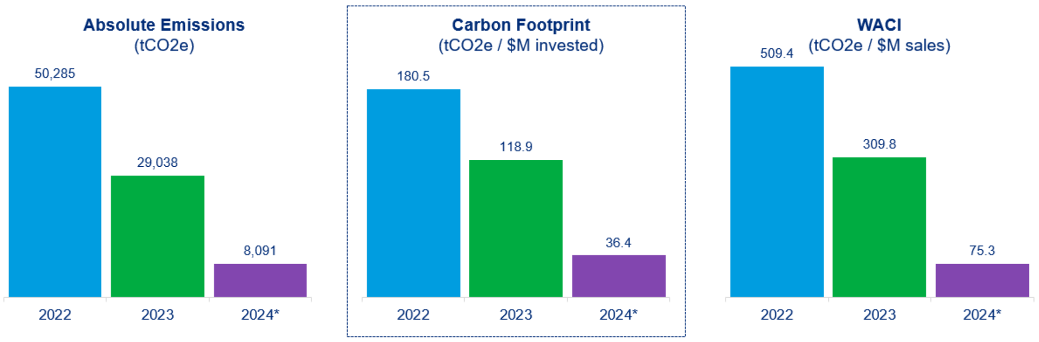
Listed Equities

- Over the year, absolute emissions decreased 56.0%, carbon footprint decreased 46.8% and WACI decreased by 55.0%.



- Carbon footprint (the Fund's chosen metric) has decreased by 40.2% since the 2021 baseline.
- The Fund is now ahead of its 2025 interim target of 36%. Progress over the year was primarily driven by the transition to the WPP Sustainable Active Equity fund.
- The Fund is on track towards interim target of 68% decarbonisation by 2030. Engagement with underlying companies will now be key to progress the Fund's decarbonisation of listed equities given that the main strategic changes have been made.
- The Fund has met its target 6 years early to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.
- 53% of Material Sectors' Financed Emissions at listed equity level are aligned or subject to active engagement, this is a slight reduction from the 65% in 2023. The drop in alignment is driven by taking a more prudent methodology in assessing alignment; the assessment now follows the latest guidance from the IIGCC Net Zero Investment Framework ("NZIF") 2.0.

TAA Portfolio



For additional transparency we have shown the progression of the TAA portfolio.
Over the year, the Fund's TAA portfolio Absolute Emissions decreased by 72.1%, Carbon Footprint decreased by 69.4% and WACI decreased by 75.7%.

Progress over the past 12 months has been substantial across all three metrics and has been driven by selecting investment opportunities with a sustainable tilt upon implementation. It should be noted that the main aim of the TAA portfolio is to pursue short term opportunities which, in our view, are likely to deliver returns. Therefore, whilst responsible investment implementation of positions is considered, we are unlikely to see such falls

	each year and may take positions which may not improve ongoing emissions. **Fossil Fuel Exclusions Policy** The Fund's exclusion policy implemented in 2023 has been assessed as at 31 March 2024, the Fund has achieved its "Minimum Objective" and is close to achieving the "Fund's Ambition". A summary is provided below: • Revenues from Oil – 1 Company falls short of the "Fund's Ambition" • Revenues from Gas – 2 Companies fall short of the "Fund's Ambition"

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition	WPP Sustainable Active Equity as at 31 March 2024
SAA Weight	-	-	15%
	% of revenues		% of assets
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	1%	1%	0.0%
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%	0.5% (£1,722,505) 1 Company – Energy Sector
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%	1.1% (£3,789,510) 2 Companies – Energy Sector

1.11	**Updated Targets – Listed Equities** *Proposed Target Updates* Within the ACT analysis, there are two proposed changes to listed equity targets. The proposals are to bring these targets in line with market leading guidance which should make monitoring and engagement with managers easier as it allows for a consistent approach across the industry. The first proposal is a change is to bring the existing engagement target in line with the "Engagement Threshold Target" as identified by the NZIF 2.0. *Current Target* "Stewardship and alignment target: to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve: • by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly

	articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective; • by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective." *Proposed Target – "Engagement Threshold Target"* "At least 70% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. This threshold increases to 90% by 2030." The second proposal is to bring in a new "Alignment Target" as set out in the NZIF 2.0, and stated below for reference: "100% AUM in material (high impact) sectors in developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to emerging markets by 2040."
1.12	Mercer's recommended key areas of focus for the next 12 to 18 months are summarised below: • **Listed Equities** – continue monitoring Listed Equities against the interim decarbonisation targets. • **Listed Equities** – engage with companies through WPP, Russell or through the WPP voting and engagement provider (Robeco) in respect of the new "Climate Engagement Target List" which highlights the highest intensity emitters which are not currently under engagement by Robeco or Climate Action 100. Our latest analysis showed that 6% of the Listed Equity portfolio was responsible for 81% of total contribution to Carbon Footprint emissions (Scope 1 and 2). This holding therefore represents a material risk to the Fund should a rapid transition materialise. It is imperative for the Fund that the investment managers are cognisant of this risk and are actively engaging with these companies. Due to licencing restrictions the names of the companies in the public report have to be anonymised, however company names are available in the private part of the meeting for Committee members. • **MAC** – engage with WPP on a sustainable MAC mandate and engage with WPP with respect to the underlying managers of the mandates to see what commitments have made in respect of decarbonisation. • **TAA** – continue to allocate to sustainable versions/ ESG titled funds when implementing tactical positions where possible. • **Private Markets** – continue to engage with Private Market managers under the new template in line with the latest IIGCC guidance for climate analysis and look to set credible targets for these asset classes where possible (dependent upon data quality and manager responses).

	• **Nature** - Continue to use nature analysis and engagement with managers to understand how they are managing these potential risks.

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	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Governance risk: G2 • Funding and Investment risks: F8, I1, I2, I3

5.00	**APPENDICES**
5.01	Appendix 1 – Task Force on Climate-Related Financial Disclosures (TCFD) – 31 March 2024 Appendix 2 – Draft TCFD Member Summary – 31 March 2024 Appendix 3 – Analytics for Climate Transition (ACT) – 31 March 2024

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	A list of commonly used terms are as follows: a) **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.

b) **Carbon footprint:** The amount of carbon dioxide (or other greenhouse gasses) released into the atmosphere as a result of the activities of a particular individual, organization or community. Carbon footprint is calculated for each company as (Scope 1 and 2 carbon emissions / $m investments). See also Scope 1, 2, 3 emissions and Weighted Average Carbon Intensity (WACI).

c) **Carbon intensity:** The amount of emissions of carbon dioxide (or other greenhouse gasses) released per unit of another variable such as revenue, gross domestic product (GDP), per $1million invested etc. See also Weighted Average Carbon Intensity (WACI).

d) **Carbon price:** The price for avoided or released carbon dioxide (CO2) or CO2-equivalent emissions. This may refer to the rate of a carbon tax, or the price of emission permits. In many models that are used to assess the economic costs of mitigation, carbon prices are used as a proxy to represent the level of effort in mitigation policies.

e) **Carbon neutrality:** Achieved by offsetting emissions by paying for credits (usually certified via new forestry equivalents that provide carbon removal). Carbon neutrality is similar to net zero targeting – the latter requires actual emissions reductions to meet targets though (rather than purchasing offsets). See also Net Zero CO2 emissions.

f) **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.

g) **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.

h) **Decarbonisation:** The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry and transport.

i) **Financial Stability Board:** an international body established by the G20 that monitors and makes recommendations about the global financial system

j) **Global warming:** The estimated increase in global mean surface temperature expressed relative to pre-industrial levels unless otherwise specified. See also Pre-industrial.

k) **Greenhouse gases:** Gases in the planet's atmosphere which trap heat. They let sunlight pass through the atmosphere but prevent heat from leaving the atmosphere. Greenhouse gases include Carbon Dioxide (CO2), Methane (CH4), Nitrous Oxide (N2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur Hexafluoride (SF6), Nitrogen Trifluoride (NF3).

l) **Inevitable policy response:** A scenario that expects an acceleration of climate-related policy announcements in 2023−2025, which has been supported by the Principles for Responsible Investment (PRI).

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

n) **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.

o) **Local Government Pension Scheme (LGPS):** The national scheme, which Clwyd Pension Fund is a part of.

p) **Mitigation (of climate change):** A human intervention to reduce emissions or enhance the sinks of greenhouse gases.

q) **Mitigation strategies:** In climate policy, mitigation strategies are technologies, processes or practices that contribute to mitigation, for example, renewable energy (RE) technologies, waste minimization processes and public transport commuting practices.

r) **Net zero CO2 emissions:** Net zero carbon dioxide (CO2) emissions are achieved when CO2 emissions are balanced globally by CO2 removals over a specified period. The term "net zero" is also typically associated with the 2050 date or earlier, as this is aligned with the scientific recommendations to achieve a 1.5°C scenario. See also Carbon neutrality (which differs slightly).

s) **Paris Agreement:** The Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) was adopted on December 2015 in Paris, at the 21st session of the Conference of the Parties (COP) to the UNFCCC. The agreement, adopted by 196 Parties to the UNFCCC, entered into force on 4 November 2016 and as of May 2018 had 195 Signatories and was ratified by 177 Parties. One of the goals of the Paris Agreement is "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels", recognising that this would significantly reduce the risks and impacts of climate change. Additionally, the Agreement aims to strengthen the ability of countries to deal with the impacts of climate change.

t) **Physical risks:** Dangers or perils related to the physical or natural environment that pose a threat to physical assets e.g. buildings, equipment and people. Mercer's scenario analysis grouped these into the impact of natural catastrophes (for instance sea level rise, flooding, wildfires, and hurricanes) and resource availability (particularly water). See also Transition risks.

u) **Pre-industrial:** The multi-century period prior to the onset of large-scale industrial activity around 1750. The reference period 1850–1900 is used to approximate pre-industrial global mean surface temperature.

v) **Principles for Responsible Investment (PRI):** Non-profit organisation which encourages investors to use responsible investment to enhance returns and better manage risks. It engages with global policymakers and is supported by, not but part of the United Nations. It has six Principles for Responsible Investment that offer a menu of possible actions for incorporating ESG issues into investment practice.

w) **Private Market Investments:** Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.

x) **Resilience:** The capacity of social, economic and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganising in ways that maintain their essential function, identity and structure while also maintaining the capacity for adaptation, learning and transformation.

y) **Scope 1, 2, 3 emissions:** Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

z) **Stranded assets:** Assets exposed to devaluations or conversion to “liabilities” because of unanticipated changes in their initially expected revenues due to innovations and/or evolutions of the business context, including changes in public regulations at the domestic and international levels.

aa) **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.

bb) **Task Force on Climate-related Financial Disclosures (TCFD):** framework designed to improve and increase reporting of climate-related financial information

cc) **Taskforce on Nature-Related Financial Disclosures (TNFD):** market-led, science-based TNFD framework enabling companies and financial institutions to integrate nature into decision making

dd) **Transition alignment:** the process of moving away from high-carbon intensive processes towards business models and assets aligned with a low carbon future and the Paris agreement. Different sectors will have different pathways to net zero.

ee) **Transition risks:** Risks from policy changes, reputational impacts and shifts in market preferences, norms and technology as the economy moves to a low carbon approach. See also Physical risks.

ff) **Weighted average carbon intensity (WACI):** The carbon intensity of a portfolio, weighted by the proportion of each constituent in the portfolio. Carbon intensity is calculated for each company as (Scope 1 and 2 carbon emissions / $m revenue). See also Carbon footprint.

gg) **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.

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Clwyd Pension Fund

Climate change governance and reporting in line with the recommendations of the

Task Force on Climate-Related Financial Disclosures ("TCFD")

Clwyd Pension Fund
Reporting period: 12 months to 31 March 2024

Contents

Section 1
Introduction

Welcome to our climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”).

The Committee of the Clwyd Pension Fund (“the Fund”) recognises climate change as a risk that could impact the Fund’s ability to achieve its required long term investment returns if it is not properly measured and managed. The Fund also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

An assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Fund invests, and in consideration of different global warming scenarios. This data is subject to change as reporting improves.

Climate change is one risk amongst many that the Fund measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way.

This report has several sections in relation to TCFD reporting including:

Section	Information
Governance:	How the Fund incorporates climate change into its decision making
Strategy:	How potential future climate warming scenarios could impact the Fund
Risk Management:	How the Fund incorporates climate-related risk in its risk management processes
Metrics and Targets:	How the Fund measures and monitors progress against different climate-related indicators known as metrics

Additionally, the report summarises highlights from our inaugural nature analysis which was conducted on our listed assets looking into two core metrics from The Taskforce on Nature-related Financial Disclosures (“TNFD”), namely “Exposure to Priority Sectors” and “Exposure to Biodiversity-Sensitive Locations”.

The final section sets out the methodology and assumptions used to produce the information contained in this report.

As always, members and employers are encouraged to contact the Fund if there are comments they wish to raise.

You can contact the Fund via email: pensionsinvestments@flintshire.gov.uk

Philip Latham
Head of the Clwyd Pension Fund

Section 2
Executive Summary

The Committee recognises that the risks and opportunities associated with climate change could impact the long-term financial position of the Fund. There is also a recognition that this is a complex issue.

The Committee conducted baseline analysis on the Fund's investments as at 31 March 2021, and ultimately agreed a range of targets. Full details on all of the Fund's targets can be found in Section 7 of the report, with the key targets being:

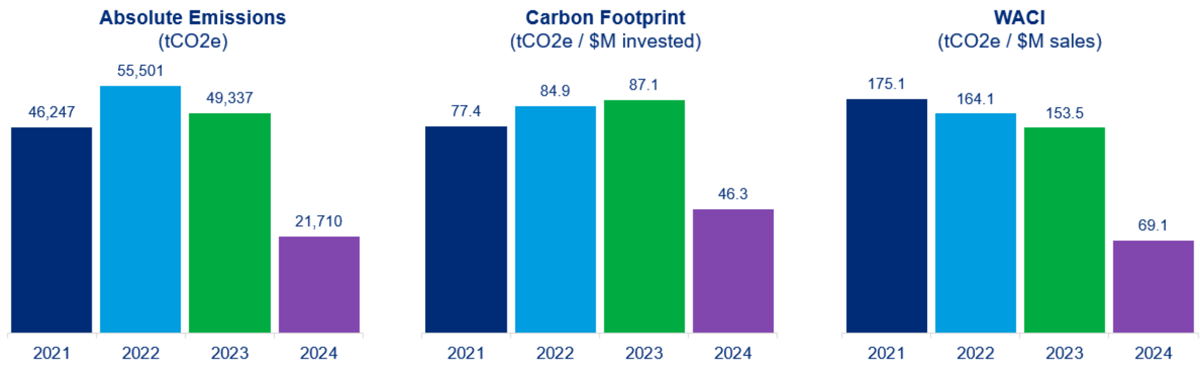
- **to target a net zero investment portfolio (covering all assets) by 2045 or earlier;**
- **shorter-term target of a 50% or more reduction in greenhouse gas emissions by the end of 2030;**
- **targets relating to the physical Listed Equity holdings, seeking a reduction in greenhouse gas emissions of 36% by 2025 and 68% by 2030.**

The ultimate target of achieving net zero across all of our portfolio will take time and be dependent on future developments which are uncertain. For example, outside of listed equities, greenhouse gas ("GHG") emission data quality is less robust. The Fund accepts it will take time to improve data quality to enable all assets to be incorporated and so the focus of this report is on the listed equity portfolio (target three above).

Progression against key metrics

The charts below highlight the changes in the three main carbon metrics year on year for listed equities, starting from the 31 March 2021 (baseline date) up to 31 March 2024.

Listed Equity Portfolio (ex TAA)



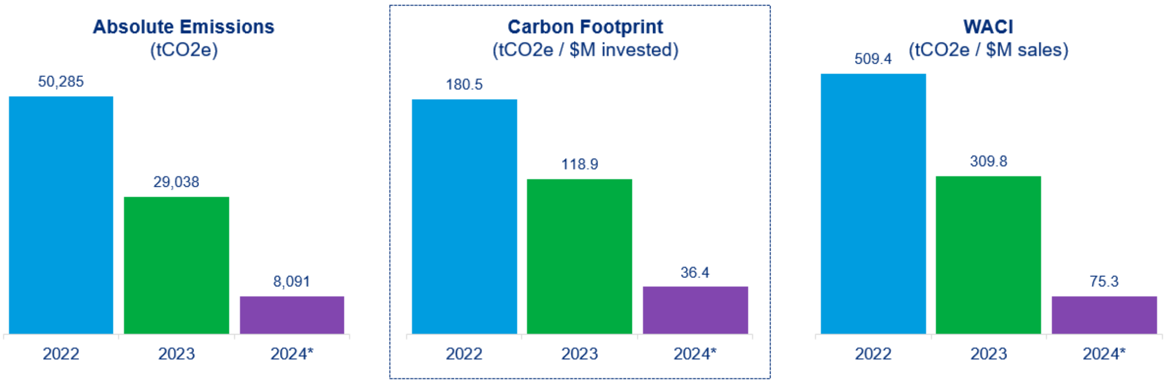
Source: MSCI ESG Research LLC (reproduced by permission). Mercer Limited.

Over the period March 2023 to March 2024, **the absolute emissions of the Fund's listed equity portfolio decreased by 56.0%**, **Carbon Footprint decreased by 46.8%,** whilst the **Weighted Average Carbon Intensity (WACI) decreased over the same period by 55.0%.** This was primarily due to the strategic changes over the period, transitioning to the WPP Sustainable Active Equity mandate from the WPP Emerging Market Equity mandate.

We note that going forward emphasis on engagement and real-world decarbonisation in respect of the underlying companies will be key to progressing towards our 2045 net zero ambition. The Fund has set alignment and engagement targets and in light of this we are currently developing a Climate Engagement Target List to engage with the largest emitters which are not currently under engagement with Robeco or Climate Action 100+.

WACI analysis continues to show improvement year-on-year; this demonstrates that the companies the Fund ultimately invests in are less carbon intensive now than they were a year ago and **substantially less intensive than they were in March 2021 (c.61%).**

Tactical Asset Allocation ("TAA") Portfolio



The TAA portfolio also made significant improvements **decreasing by 72.1% on an Absolute Emissions basis, 69.4% on a Carbon Footprint basis and 75.7% on a WACI basis.** Whilst we don't expect these improvements year on year, the improved position highlights the increased focus on implementing opportunities in the most sustainable way possible.

The progress over the year is a positive step towards the Fund achieving its ultimate goal of reducing emissions and achieving net zero by 2045. The Committee continues to look to identify appropriate opportunities to make further progress in this area.

Progress to date

The Fund has already taken actions to support the targets and initiatives that were previously agreed, including:

- Helping develop a sustainable equity mandate with the WPP, and since allocated to this mandate along with other constituent authorities within WPP;
- Introducing more sustainable / ESG focused funds, where possible, into the Tactical Asset Allocation ("TAA") Portfolio when implementing new positions;
- Implementing a fossil fuel 'Exclusions Policy' in relation to our listed equity holdings, full details of this policy are provided within Appendix B;
- Engaging with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture;
- Supporting investments with strong sustainability/ impact focus by allocating 8% of the total portfolio to local / impact focused investments within Private Markets;
- Endeavouring to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible;

- Engaged with a subset of the existing Private Market managers using an enhanced version of our engagement template to gather climate metrics specific to each managers asset class under 'The Institutional Investors Group on Climate Change' ("IIGCC") guidance, natural capital exposure, UN Sustainable Development Goals alignment and core impact metric statistics. Progress will continue to be made with managers in subsequent years to increase coverage within the Private Markets allocation.

Actions to achieve targets going forward

A number or areas have been identified to consider going forward to help the Fund move closer towards achieving its targets, including but not limited to:

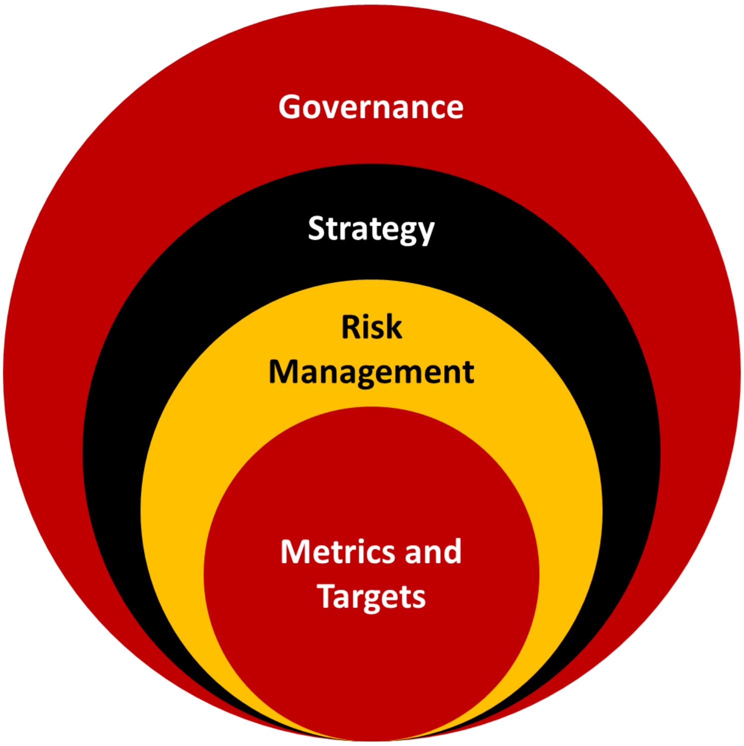
- Reducing ongoing GHG emissions, to meet agreed targets;
- Monitoring exposure versus the agreed fossil fuel exclusions policy;
- Continuing to commit to investments that support the energy transition ("Climate Solution");
- Continuing engagement with Private Market managers in respect of the increase analysis coverage of the Fund's investments;
- Engaging with companies noted within the climate engagement target list either through WPP, Russell or via WPP's voting and engagement service provider, Robeco.

Further information including expanded areas of consideration are detailed at the end of Section 7 of this report.

Section 3
The TCFD Framework

The Financial Stability Board created the TCFD framework in 2015. TCFD was created to improve and increase reporting of climate-related financial information that can promote more climate-informed investments. In 2017, the TCFD recommended a framework for disclosing how climate-related risks and opportunities are measured, monitored and managed by companies, asset managers and asset owners.

The recommendations are in four key areas:



The framework aims to:

- Improve climate-related data quality
- Increase focus on climate change
- Enable more informed decisions
- Provide a consistent framework for comparison

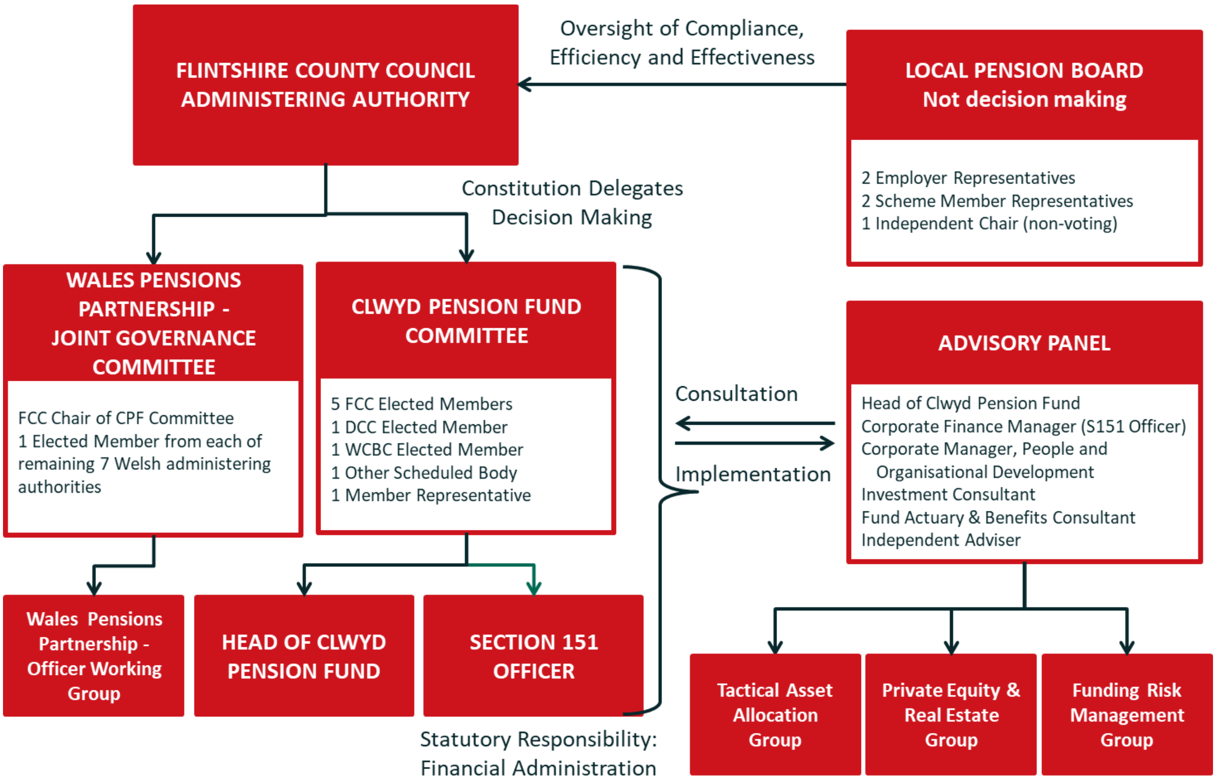
The Ministry for Housing, Communities and Local Government ("MHCLG") (previously the Department for Levelling Up, Housing and Communities ("DLUHC")) consulted on proposals for new requirements on LGPS ("Local Government Pension Schemes") administering authorities in 2022 and 2023. The Fund responded to the consultations and will continue to engage on this vitally important topic, along with Flintshire County Council (as administering authority for the Fund).

The latest information for the LGPS is that individual funds will be expected to report on climate-related risks and opportunities within annual 'Climate Risk' reports. The timing of such report is yet to be confirmed by either the previous or the current government. The Fund is well prepared for future potential requirements on TCFD reporting given the extensive regular monitoring and actions already being taken by the Committee.

Section 4
Governance

Governance Approach

The Committee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The structure of the Fund's governance arrangements is illustrated below:



Pension Fund Committee (the "Committee")

The Fund is governed by the Committee who have the responsibility for all Fund matters including governance, investment and funding strategies, accounting, employer and scheme member engagement, communications, and administration. The Committee delegates the day-to-day running of the Fund to Officers. The Head of Clwyd Pension Fund has overall delegated powers for the management of the Fund on a day-to-day basis.

The 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 Committee, amongst other responsibilities, is responsible for approving the Fund's Investment Strategy Statement including setting the Responsible Investment ("RI") policy and climate targets as recommended under TCFD. Further details on the roles and functions of the Committee are set out in the Fund's Governance Policy & Compliance Statement.

The members of the Committee have fiduciary and public law duties to the Fund's scheme members and employers, which is analogous to the responsibilities of trustees in the private sector.

The Committee may also 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 Committee, ensuring a clear separation of responsibility.

Pension Board (the "Pension Board")

The Pension Board ensures the effective and efficient governance and administration of the Pension Fund and assists the Fund in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Fund, including TCFD recommendations. The Pension Board is not a decision-making body in relation to the management of the Fund.

The Pension Board operates independently of the Committee.

LGPS Asset Pooling – Wales Pension Partnership ("WPP")

The Wales Pension Partnership ("WPP") is the pooling partner for the Fund. The Fund looks to invest with the WPP where appropriate investment solutions (sub-funds) are available that fit the Committee's investment strategy requirements. Investment of non-pooled assets is overseen by the Fund's Officers (and the Committee).

The WPP's Joint Governance Committee ("JGC"), which is comprised of Committee Chairs of each of the underlying constituent authorities (i.e. the participating pension funds), has approved an RI policy and a climate risk policy for the WPP. The policies represent a broad range of investment beliefs within the Pool and show the desire of the WPP to be a leader in responsible investment. The WPP are a signatory of the UK Stewardship Code 2020.

The Fund has representation on the WPP's Officer Working Group ("OWG") and WPP's Responsible Investment Sub-group, who are responsible for formulating and delivering WPP's Responsible Investment Workplan, as well as liaising with the WPP's voting and engagement provider, Robeco. The Fund has Officer representation on the WPP's Responsible Investment Sub-group, ensuring that time and attention is given to the oversight and accountability of stewardship activity.

The WPP Responsible Investment Sub-group has worked to develop reporting on the ESG and climate risk characteristics of WPP's sub-funds. This reporting is being prepared independently of the investment manager's reporting, so provides independent verification, and will be shared with constituent authorities in due course. Robeco also provide quarterly reporting on voting and engagement activity, which has been shared with the constituent authorities.

Overall, in relation to climate change the WPP is responsible for:

- Appointing the voting and engagement provider (Robeco);
- Creating new sub-funds available for the constituent authority members of the WPP, within which they invest; and therefore there is a requirement to provide adequate sustainable funds available for investment;

- Reporting and monitoring on climate exposures within the WPP sub-funds.

Responsible Investment Overview

The Fund maintains an Investment Strategy Statement ("ISS"), which details the key objectives, risks and approach to considering Environmental, Social and Governance ("ESG") factors, such as climate change, as part of its investment decision making. The document is reviewed on at least a triennial basis.

The Fund recognises the importance of its role as steward of capital; the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which it invests. It also recognises that ultimately this protects the financial interests of the Fund and its beneficiaries. The Fund is committed to actively exercise the ownership rights attached to its investments. This reflects the Fund's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest and recognise that companies' activities impact upon not only their customers and clients, but more broadly upon their employees, other stakeholders and wider society.

The Fund defines a Responsible Investment (RI) as:

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

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

The foundations of the Fund's approach to RI are its Principles which 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.

Oversight of climate change risks

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

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

Net Zero Commitment

As part of its commitment to RI, the Fund has undertaken to evaluate and manage the carbon exposure of its investments to assist in ensuring an effective transition to a low-carbon economy. As part of this work, on 10 November 2021 the Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. This included carbon emissions analysis of the listed equity portfolio to provide a baseline for the Fund. **Specifically, the Committee agreed a target for the investments in the 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.** Underlying this headline commitment, the plan also has a number of other key targets, which are outlined later in the report (Section 7).

The Fund monitors and reports against these targets annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with the latest science and national and international developments and initiatives. Additional targets were set in 2022/23 to strengthen the Funds commitment to Net Zero ambition. The Fund is also currently considering further strengthened targets in respect of Engagement and Alignment targets in line with the IIGCC's Net Zero Investment Framework 2.0 ("NZIF 2.0").

Fund's Advisors

Investment Consultant

The Committee of the Fund have appointed Mercer Limited (Mercer) as Investment Consultant to the Fund. Mercer's role is to provide ongoing advice on investment strategy and manager appointments (where relevant). This includes advice on managing and monitoring investment-related risks, such as climate change and is considered at quarterly meetings. Mercer will assist in the production of the Fund's TCFD report on an annual basis. As Investment Consultant, Mercer also acts as a member of the Clwyd Pension Fund Pension Advisory Panel.

Actuarial Advisor

The Committee has appointed Mercer as the Fund's actuary, whose role and responsibilities include:

- Acting as a member of the Clwyd Pension Fund Pension Advisory Panel and the Funding and Risk Management Group;
- Preparing actuarial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency, including the review of contributions between valuations where appropriate;
- Helping the Fund to understand the potential funding impact of climate change (including the impact on financial and demographic assumptions and providing input into the climate risk analysis driving strategic asset allocation decisions).

Independent Advisor

The Committee has appointed Aon as the Independent Advisor to the Fund. Aon 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 the Fund's governance processes. The Independent Advisor also acts as a member of Fund's Pension Advisory Panel.

Annual assessment of advisors

The Head of the Pension Fund, Philip Latham completes annual review meetings with all service providers including, but not limited to, the Investment Consultant and Independent Advisor. The Investment Consultant, Mercer are monitored at monthly investment day meetings, and are also monitored 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
- TAA Portfolio
- Monitoring Objective

Aon, who are the Independent Advisor, are reviewed on a broad range of topics which include:

- 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.

Training and engagement

Committee have received training from the Fund's Investment Consultant, Mercer, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. Committee continue to receive training where necessary to learn new topics in relation to responsible investment and keep their knowledge up to date. Committee will be having a training session on TNFD in the coming year to provide an overview of the latest developments. As well as training sessions from advisers, WPP run training sessions on responsible investment topics including the Stewardship Code, TCFD reporting as well as areas such as sustainable equities; these sessions are made available to all Committee (and Board) members.

Climate change forms an explicit agenda item on a regular basis for the Committee, this includes tabling ACT (Analytics for Climate Transition)/TCFD on every November Committee meeting agenda. The Committee allocates a considerable amount of time to climate change considerations at meetings and will allocate further time at future meetings if any analysis or wider industry research requires additional review and consideration.

Day-to-day implementation

The implementation of the management of climate change-related risk with respect to specific securities held through WPP is delegated to WPP and third-party portfolio managers. Each manager's approach to ESG issues and how these are integrated into their investment process is assessed as part of the manager selection and monitoring process.

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

Section 5
Strategy

The effects of climate change are already present and will emerge at different times in the future and to different extents. The Committee believe it is important to understand how the Fund's exposure to climate-related risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Fund.

To help with this assessment, the Fund has defined short, medium and long-term time horizons for the scenario analysis of climate related risks. The scenario analysis conducted was done on the whole of the Fund's assets and liabilities. The climate-related risks and opportunities that are relevant to the Fund vary over these periods. The Committee expects to revisit the relevance of these time periods on a regular basis.

Period	Scenario Description
Short Term (5 years)	Over the short-term transition risk dominates with a Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain.
Medium Term (20 years)	Over the medium term, transition risk and physical risk are both important factors. The impact of transition risks under a Rapid Transition and physical risks under a Failed Transition are broadly similar. Over the medium term, risks associated with the transition to a low carbon economy are likely to dominate. These include the development of technology and low carbon solutions. Policy, legislation and regulation are likely to also play a key role at the international, national and subnational level. Technology and policy changes are likely to produce winners and losers both between and within sectors and lead to stranded asset risks.
Long Term (40 years)	Over the long term, physical impacts become significant, with a Failed Transition resulting in significant falls in asset value relative to the baseline. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water.

Climate Change Scenario Analysis

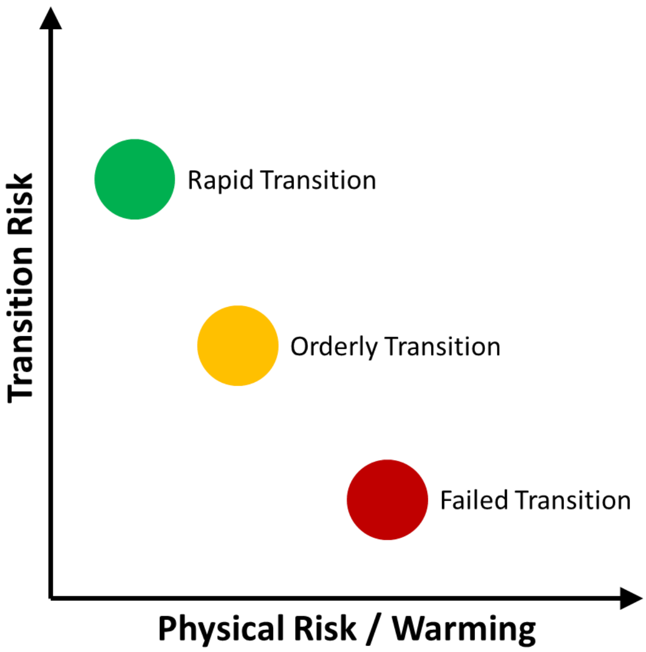
In 2022, the Committee commissioned strategic scenario analysis on the Fund's strategic asset allocation to assess the potential implications of climate change. This was the second commissioned scenario analysis carried out for the Fund, with the first analysis carried out in 2020. The Fund is due to carry out further climate change scenario analysis in 2025, alongside the triennial actuarial valuation and investment strategy review.

The analysis covers the Fund's whole portfolio, modelling three forward looking climate scenarios constructed to explore a range of plausible figures over 5 to 40 years. The analysis models the climate shock impacts over these periods and includes funding level projection scenarios (from the analysis date of 31 March 2022), from a rapid transition that limits warming to 1.5°C to a failed transition with warming above 4°C. The impact is shown on a relative basis, which is the critical metric. Each of the scenarios reflect different climate change policy ambitions that result in varying CO2 emissions pathways and levels of economic damages related to climate change. These have been developed in partnership with Ortec Finance using existing climate change models (Cambridge Econometrics' E3ME model) and through an extensive literature review. This collaboration enables the Fund to better understand the strategic risks and opportunities presented by climate change.

A key strength of the scenarios is that it allows for climate impacts to be "priced-in" before they happen. This reflects likely market dynamics and means climate impacts are more likely to exhibit within investment timeframes.

The three scenarios used in the modelling are outlined below.

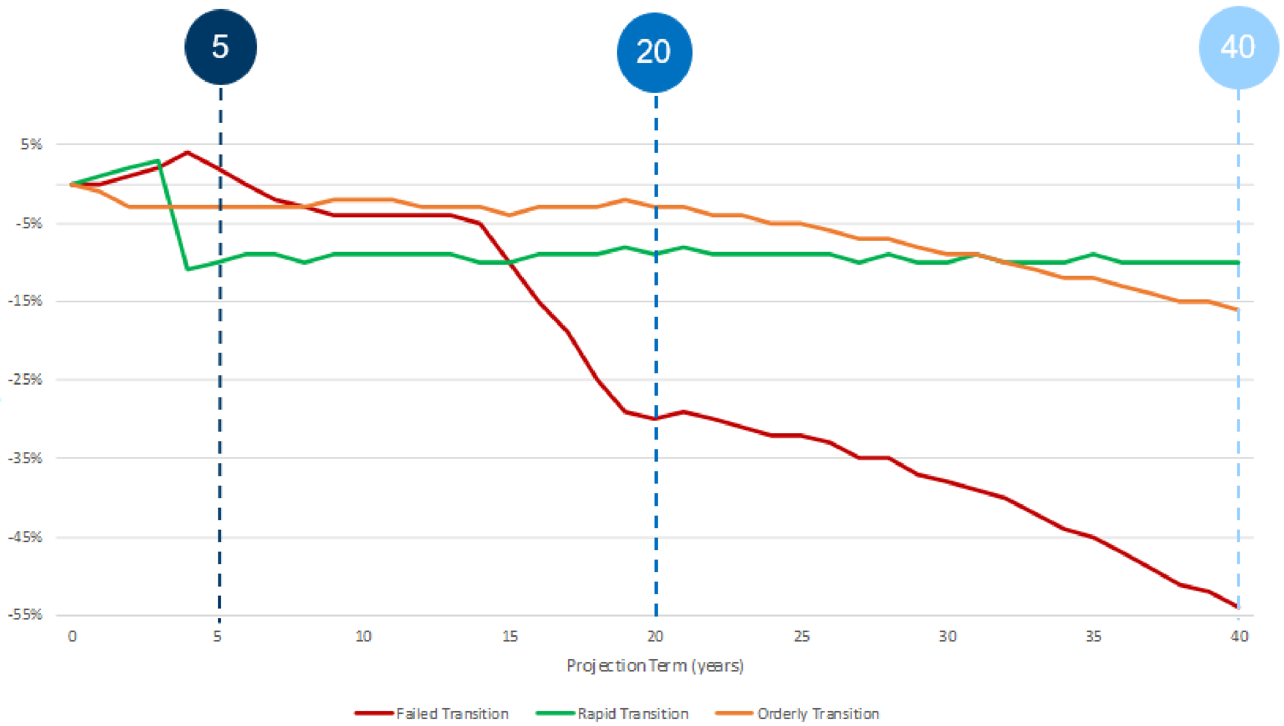
- **1.5°C Rapid Transition scenario:** Average temperature increase of 1.5 C by 2100 in line with the Paris Agreement. This scenario assumes sudden large scale downward re pricing across multiple securities in 2025. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and is therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario.
- **<2°C Orderly Transition scenario:** Average temperature increase of less than 2.0 C by 2100. This scenario assumes political and social organisations act in a coordinated way to implement the recommendations of the Paris Agreement to limit global warming to well below 2 C. Transition impacts do occur but are relatively muted across the broad market.



- **4°C Failed Transition scenario:** Average temperature increase above 4.0 C by 2100. This scenario assumes the world fails to coordinate a transition to a low carbon economy and global warming exceeds 4 C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

Summary Climate Change Scenario Analysis

Funding Level Projection – Relative Impact



Key points at different time frames :

5 — 5 Years – Over this time period, transition risk dominates. The Rapid Transition is the most impactful scenario. Under this scenario there is a shock which reduces the funding level by about 10% relative to baseline. The Failed Transition is marginally positive relative to the baseline due to transition costs not materialising.

20 — 20 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the funding position to c.30% lower than the baseline projection.

40 — 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the funding position to c.54% lower than the baseline projection. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario after 31 years.

Source: Mercer Limited.

Details on climate change scenario analysis assumptions are provided within Appendix A. In particular, the Committee recognises that modelling the impact of climate change, especially the physical impacts, and the potential knock-on impact to the value of the Fund’s assets, is extremely complex and will evolve over time. As such, climate scenario modelling is one of multiple sources of information and analysis that is considered to help in the Committee’s decision-making.

Section 6
Risk Management

A key part of the Committee's role is to understand and manage risks that could have a financially material impact on both the Fund's investments and the wider funding position. Climate change is one of the risks that the Fund consider alongside other financially material risks. These risks could impact the Fund's ability to achieve the required investment returns to ensure that the Fund remains affordable for employers and members.

This section summarises the primary climate-related risk management processes and activities of the Fund. These help the Committee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to. The Fund prioritises the management of risks primarily based on its potential impact on the financial stability of the Fund and contribution rates.

Governance

- The Fund's ISS is reviewed on at least a triennial basis and sets out how investment climate-related risks are managed and monitored.
- A risk register is maintained, which includes explicit climate risks. The risk register is reviewed monthly by Officers and advisors and goes to Committee quarterly.
- The Committee receive training at least annually on climate-related issues. The training allows the Committee to challenge whether the risks and opportunities are effectively allowed for in their governance processes and wider activities, and to be able to challenge their advisors to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities.

Strategy

- Mercer take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Fund.
- Climate change scenario analysis for the Fund will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation. A summary of the Fund's climate scenario analysis is included in the strategy section of this report.
- The Fund undertakes climate transition capacity analysis on the relevant assets using Mercer's Analytics for Climate Transition ("ACT") tool. Overall, the latest analysis covers 65.4% of the total Fund. The aim of the analysis is to:
    - Monitor progress against the Fund's targets, including decarbonisation and explores the proportion of emissions within high impact sectors that are currently under engagement or aligned with a low carbon future;
    - Understand the transition capacity of the Fund's assets;
    - Present an updated high level implementation plan for the relevant assets, with an overview of areas to focus on in the coming years.

Reporting

- The Committee receives annual reports of climate-related metrics and progress against targets in respect of the assets held in the Fund. The Committee, through delegation to Officers, may use the information to engage with the investment managers.
- The Fund receives voting and engagement activity information on a quarterly basis from Robeco. The Fund reports this information on an annual basis within the annual report and accounts and the annual Stewardship Code submission.
- The Fund has delegated all voting rights to the WPP, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers on financially material ESG issues.
- Robeco provide the eight constituent authorities within the WPP voting and engagement information on a quarterly basis. In addition, the WPP Responsible Investment sub-group discuss engagement with Robeco at regular meetings.
- In addition, Officers and JGC also receive Responsible Investment & Climate Risk Reports from Hymans Robertson, who are the WPP oversight advisers.

Manager Selection and Monitoring

- The Committee, with advice from Mercer, and the Officers, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when appointing a new manager and in the ongoing review of a manager's appointment.
- Mercer assesses investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level.
- WPP are now able to take on more of the Fund's commitments to Private Markets including allocations to Private Equity, Infrastructure, Property and Private Debt. However, the Fund still requires recommendations from Mercer in the allocation of Local/ Impact Private Market funds as this asset class is not currently covered by the WPP. The Fund has mandated that priority is given to impact and sustainable funds and/ or those with a high ESG rating (ESG1 and ESG2) assigned by the Mercer following the detailed due diligence process.
- The Fund, in collaboration with Mercer, has developed a monitoring template to use to monitor all of its Private Market managers going forward. The template specially picks up information from managers on ESG and impact, including but not limited to:
    - Does the manager have a Sustainable Investment Policy?
    - Is the manager doing anything to contribute to net zero or a specified carbon emissions reduction target?
    - Impact/ ESG considerations that will help with TCFD and future Taskforce for Nature Related Financial Disclosures (TNFD) reporting

We continued to use the template during 2024 for monitoring of our Private Market managers and will continue to review and evolve the template as necessary for monitoring purposes in line with IIGCC guidance.

Additionally, we have started an exercise to capture Private Market asset classes within our analysis. This included engaging with a subset of our existing Private Market managers using an enhanced version of our engagement template to gather climate metrics specific to each managers asset class under guidance, natural capital exposure, SDG alignment and core impact metric statistics. As part of this exercise we have targeted managers within the following asset classes Private Equity, Local/Impact, Infrastructure, Property and Private Debt.

We acknowledge that this exercise may take time to receive complete data in line with our sizable request. We will continue to work with our advisers, Mercer, on the data received and engage with managers as we look towards our end goal of setting realistic targets for these assets.

Active Stewardship

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. Stewardship activities can help hold companies to account and ensure they are taking a meaningful approach in this area.

The Financial Reporting Council (“FRC”) first published the UK Stewardship Code in 2010 and revised it in 2012. In October 2019, the FRC issued an updated and increasingly demanding version, the UK Stewardship Code 2020. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire too and comprises a set of 12 “apply and explain” principles to report on for the submission.

In practice the Fund continues to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (“LAPFF”).

The Fund is committed to reviewing its compliance against the latest code. The Fund was successful in its first submission in 2022, and subsequent submission in 2023, the Fund has also re-submitted for the year ending 31 March 2024.

The Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its voting and engagement provider and they are assisting in maintaining a voting policy and engagement principles that are in keeping in line with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

Climate Risks and Opportunities

The effects of climate change will be felt over many decades. The Fund has considered two types of climate-related risks and opportunities:

1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products. There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses, although the extent of the risks is highly dependent on whether global net zero GHG emissions are achieved by 2050.

There are investment opportunities, for example, in infrastructure and real estate assets that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

Section 7
Metrics and Targets

Metrics and targets used to assess and manage relevant climate change-related risks and opportunities, in line with strategy and risk management

Key Metrics

The report includes three climate-related metrics. These metrics help the Committee and wider reader understand the climate-related risk exposures and opportunities in the Fund's investment portfolios and identify areas for further risk management, including investment manager portfolio monitoring, and voting and engagement activity and priorities. The metrics in this report are:

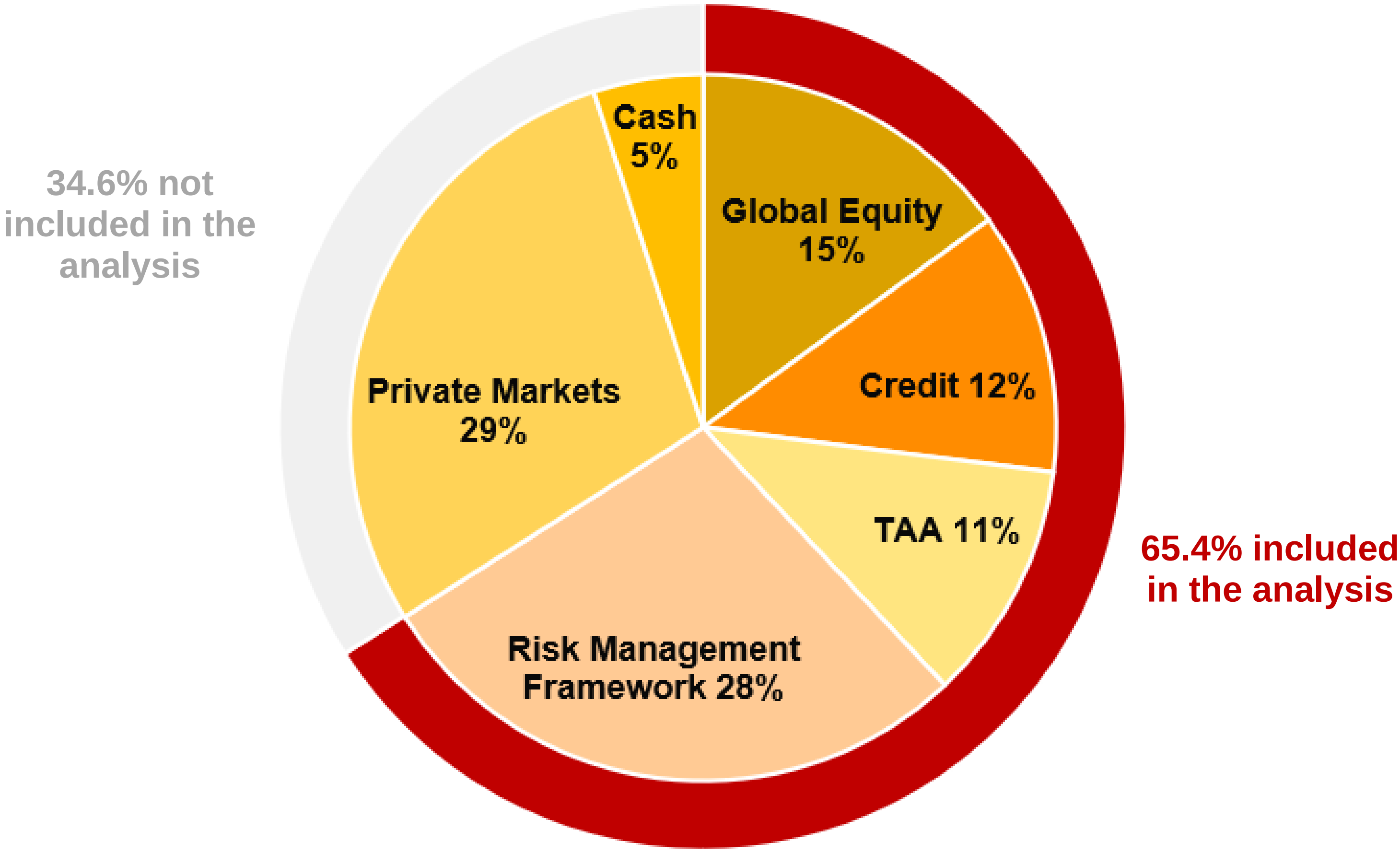
1. **Absolute emissions metric**
2. **Emissions intensity metric: Carbon Footprint**
3. **Emissions intensity metric: Weighted Average Carbon Intensity ("WACI")**

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

The metrics presented in this report are as at 31 March 2024 and are based on the strategic asset allocation ("SAA") at that date. The Fund adopted a baseline date of 31 March 2021, from which all reduction targets are monitored against annually, unless otherwise stated.

Please see appendix for an overview and description of each metric identified above and analysed for the Fund.

Fund strategic asset allocation as at 31 March 2024



Carbon metrics have been provided on 65.4% of the Fund's SAA, this is an increase from the previous year's analysis (40.6%). The analysis was carried out on the Fund's global equities, Multi-Asset Credit ("MAC"), Tactical Asset Allocation ("TAA") holdings and Risk Management Framework ("RMF").

An additional c.11% of the Fund's total assets were targeted within the Private Markets data collation exercise using IIGCC guidance. This data was not included within the 2024 analysis due to the exercise still being active at the time of writing. We are continuing to engage with managers to receive the data, once data is received, we will mark the quality of data before moving onto aggregating responses to produce overall scoring. We acknowledge that this will be a work in progress until we are able to receive and analyse consistent data from the Private Market managers. Our aim is for this exercise to produce a clear output and enable us to set credible targets for these assets. We will look to continue this work whilst taking note of the potential governance costs associated with setting targets for these asset classes, due to the high number of underlying funds associated with the Private Market portfolio.

As the TAA portion of the SAA is tactical and short-term in nature, this portion of the portfolio was excluded from the baseline analysis and assessment of progress versus listed equities portfolio targets. Whilst the majority of the TAA portfolio was analysed from a metrics perspective, some of the underlying components were not able to be analysed owing to data availability.

The Fund recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Committee with its Officers aim to work with the investment advisor and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available.

Key highlights to note over the period (12 months to 31 March 2024)

The Fund has already taken actions to support the targets and initiatives that the Fund has previously agreed, including:

- Helped develop a sustainable equity mandate with the WPP, and since allocated to this mandate along with other constituent authorities within WPP;
- Decarbonised Listed Equities by c.40.2% (carbon footprint) since the 2021 baseline, ahead of the 2025 (36%) decarbonisation target and on track to achieve the 2030 (68%) decarbonisation target;
- Currently achieving target of having all the Listed Equity portfolio invested in sustainable investment mandates by 2030;
- On track towards the Fund's target to have at least 30% of the Fund's assets allocated to sustainable investments by 2030. Currently the Fund has 20% of assets in sustainable investments with a further 9% of unfunded commitments (based on high level analysis);
- Introduced more sustainable / ESG focused funds into the TAA Portfolio when implementing new positions, where possible;
- Implemented a fossil fuel Exclusions Policy in relation to its listed equity holdings;
- Engaged with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture, we have since initiated a data collation exercise for private market assets initiated to enable target setting in the future;
- Supported investments with strong sustainability/ impact focus by increasing the allocation from 6% to 8% of the total portfolio to local/ impact focused investments within private markets;
- Endeavoured to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible;
- Substantially increasing commitments to local/impact focused portfolios within Private Markets, including investments with a focus on clean energy and energy transition;
- Sustainable and local/impact commitments include:
    - Capital Dynamics – Clean Energy Wales (£80m) – Additional £30m agreed over 2024 (Local/Impact)
    - ECI Partners – ECI 12 (£20m) (Private Equity)
    - Copenhagen Infrastructure –Energy Transition I (£17m) (Infrastructure)
    - Newcore – Strategic Situations Fund V (£15m) (Property)
    - Sandbrook Capital –Climate Infrastructure Fund I (£17m) (Infrastructure)

  - Activate Partners –Activate Capital II (£11m) (Private Equity)
  - Generation – IM Sustainable Solutions IV (£11m) (Local/Impact)
  - Brookfield – Global Transition Fund (£10m) (Infrastructure)
  - Ambienta – Sustainable Credit Solutions (£10m) (Private Debt)
- WPP has adopted a climate policy aimed at mitigating risks and identifying opportunities, including climate solutions. This policy is reviewed annually;
- WPP have now established an escalation strategy in close collaboration with its service providers (Hymans Robertson, Russell Investments and Waystone), this policy outlines the tools at WPP's disposal in order to take further actions where an engagement is deemed to have been unsuccessful;
- WPP have created a climate-focus list consisting of the most significant holdings within portfolios from a climate-related perspective, as a point of focus for engagements with stakeholders to:
  - Support oversight of voting practices;
  - Focus on any engagement being undertaken by these companies;
  - Assess the progress being made to decarbonize activities.
- We will use WPP's climate-focus list in conjunction with our own new Climate Engagement Target List to focus engagements on the highest intensity emitting companies that are not currently under engagement by Robeco or Climate Action 100.

Emissions Analysis – Physical Listed Equities

It is important that the Committee understands the position of the Fund, in terms of its ongoing GHG emissions. In order to understand this the Fund monitors the following metrics: (1) absolute emissions, (2) carbon footprint, and (3) WACI.

- **Absolute Emissions** is the total equivalent amount of GHG Emissions as measured in CO2 equivalent that the Fund's invested asset release into the atmosphere every year. Absolute emissions are significantly influenced by the level of assets invested, the more assets the higher the absolute emissions.

- **Carbon Footprint** takes the total absolute GHG emissions of the portfolio and divides it by the current value of the portfolio to measure the tonnes of CO2 equivalent per $million invested (EVIC). This allows comparison between Funds of different sizes, as well as a fair comparison through time as the Fund's own assets will fluctuate year on year.

- **WACI (Weighted Average Carbon Intensity)** takes each underlying company's absolute GHG emissions and divides it by the company's revenue (tonnes of CO2 equivalent per $million revenue). This provides the Committee with an indication of whether the underlying companies are decarbonising over time and shows how sensitive the underlying investments are to climate transition risk.

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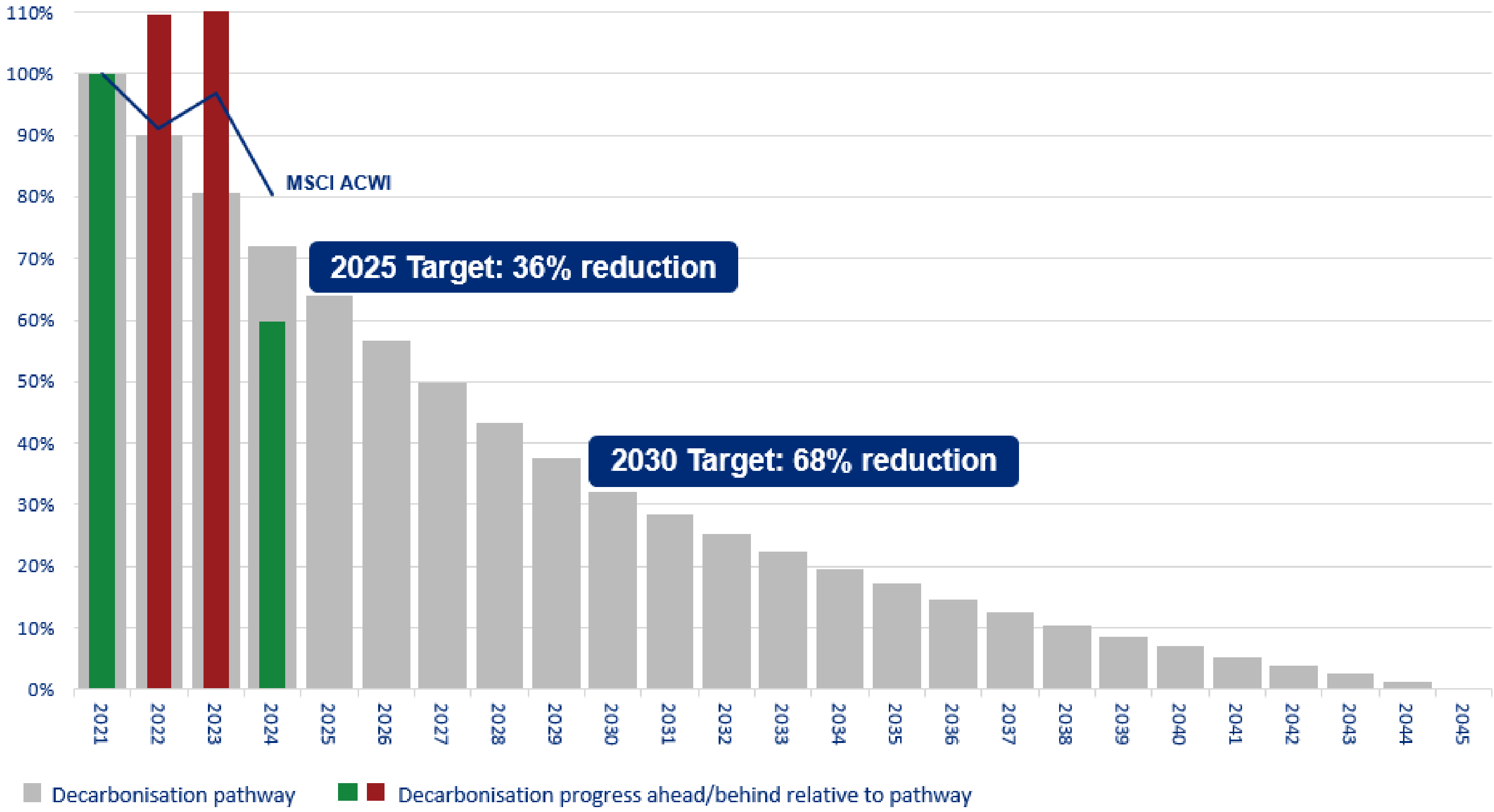
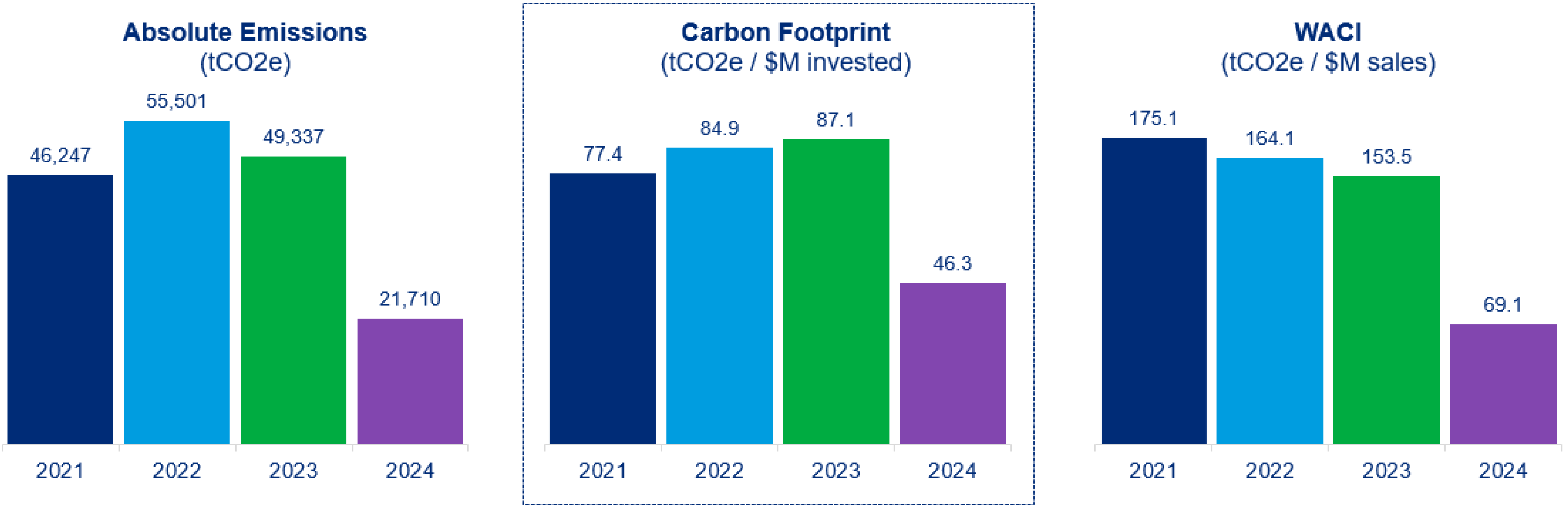
Decarbonisation Path – 2021 Baseline (Scope 1 and 2)

Physical Listed Equities – Carbon Footprint – Listed Equities (ex TAA)



Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

Summary of Emissions Analysis – Physical Listed Equities (ex TAA) – (Scope 1 and 2)



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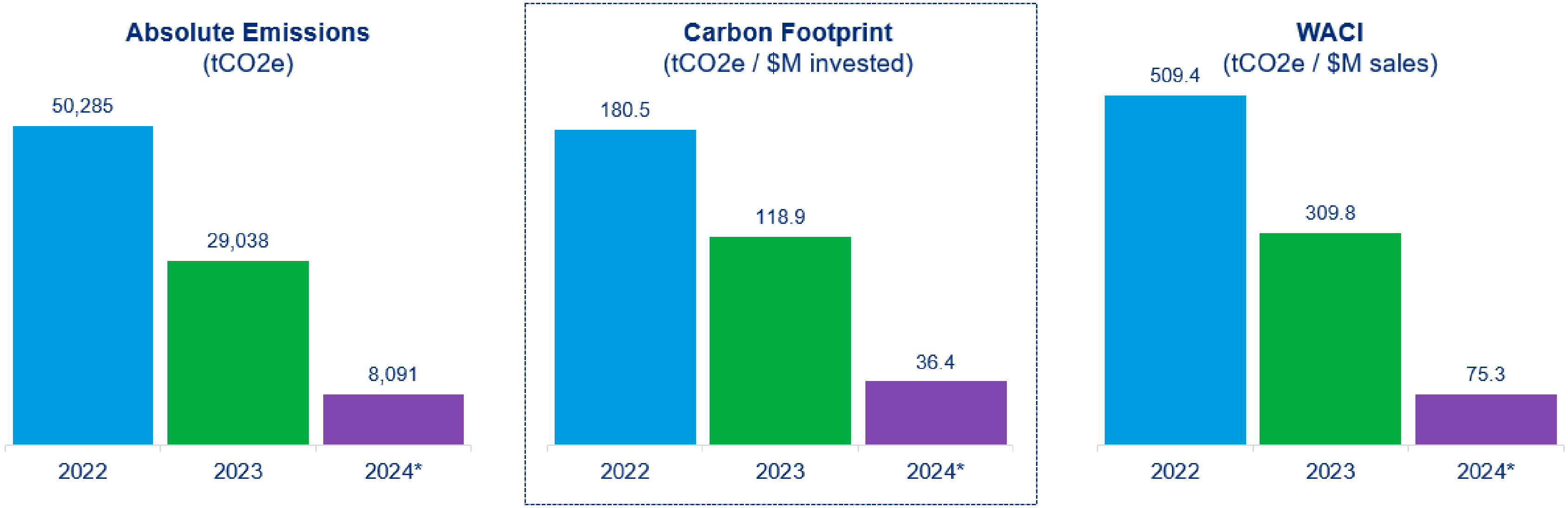
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

The **absolute emissions of the Fund's listed equity portfolio have decreased by 56.0%** over the one-year period from 31 March 2023 to 31 March 2024. The **Carbon Footprint decreased by 46.8%** over the same time period, whilst the **WACI decreased over the same period by 55.0%.** This was primarily a result of the strategic changes implemented over the year including the transition from the WPP Emerging Market Equity Fund to the WPP Sustainable Active Equity Fund.

The progress over the year is a positive step towards the Fund achieving its ultimate goal of reducing emissions and achieving net zero by 2045. The Fund's progress within Listed Equities is currently ahead of the 2025 (36%) decarbonisation target and on track to achieve the 2030 (68%) target as demonstrated in the decarbonisation pathway chart. The Committee continues to look to identify appropriate opportunities to make further progress in this area. It is noted that engagement with the underlying companies via WPP, Russell or via WPP's voting and engagement provider, Robeco, is crucial in progressing further decarbonisation and ultimately achieving the 2030 and 2045 targets in place. We have begun to take action on this by establishing a climate engagement target list to engage with the Listed Equity mandate's highest intensity emitters.

Summary of Emissions Analysis – Tactical Asset Allocation (TAA) – (Scope 1 and 2)



Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports. *The total for 2024 includes the allocation to the NB US Equity Put Writing Strategy.

The Fund's TAA portfolio **decreased by 72.1% on an Absolute Emissions basis** from 2023 to 2024. **Carbon Footprint decreased by 69.4%** whilst the **WACI decreased by 75.7%.**

Progress over the past 12 months has been substantial across all three metrics and has been driven by a more conscious and responsible approach in selecting investment opportunities with a sustainable tilt upon implementation. However, we note that the main aim of the TAA portfolio is to pursue opportunities as we see best fit during the period to pursue strong returns. Therefore, whilst responsible investment is at the forefront of our operations, we are unlikely to see such falls each year and may take opportunities which may not improve our metric positioning for the financial reasonings to support our ultimate responsibility of paying member benefits as and when they fall due.

Fossil Fuel Exclusions Policy - Analysis as at 31 March 2024

The below analysis highlights the Fund's current position against its Fossil Fuel Exclusions Policy (full details of the Exclusions Policy can be found in the appendix).

The policy is to exclude companies which breach the following thresholds:	**Minimum Objective**	**Fund's Ambition**	**WPP Sustainable Active Equity (31 March 2024)**
SAA Weight	**-**	**-**	**15%**
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	**1%**	**1%**	0.0%
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	**10%**	**1%**	0.5% (£1,722,505) 1 Company: Energy Sector
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%**	1.1% (£3,789,510) 2 Companies: Energy Sector

Source: Russell Investments (Russell use Sustainalytics data).

Listed equity revenue exposure targets in line with Minimum Objective, close to achieving Fund's Ambition.

Targets

Net Zero Commitment

The Committee has agreed a target for the investments in the 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. Underlying this headline commitment, the plan also has a number of other key targets as outlined below:

a) for the Fund as a whole:

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

b) within the Listed Equity portfolio:

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

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

Suitability of additional metrics

The Committee have undertaken education on the proposed climate change metrics forming part of the upcoming regulations. They will assess the suitability of these metrics and incorporate them into next year's report.

Section 8
Taskforce on Nature-related Financial Disclosures (“TNFD”)

Summary of analysis

Biodiversity and nature are intricately linked, as the rich variety of life forms and ecosystems not only sustain the planet's health but also underpin the resilience of our economies and communities, making their assessment crucial going forward.

We have conducted analysis on two core metrics from Taskforce on Nature-related Financial Disclosures (“TNFD”), namely:

(1) Metric 1 - Exposure to priority sectors
(2) Metric 2 - Exposure to biodiversity-sensitive locations

Metric 2 specifically looked at the following biodiversity-sensitive locations: Healthy Forests, Biodiversity Intactness, Prime Areas for Conservation and Deforestation Fronts. For a company to be flagged under this metric is must have 3 or more physical assets (operations) located within 1.5km vicinity of a biodiversity-sensitive area.

The analysis conducted was supplemented with ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) a free online tool recommended by TNFD that helps organisations explore their exposure to nature-related risk and take the first steps to understand their dependencies and impacts on nature (Source: ENCORE). ENCORE was used to map key impacts and dependencies of ecosystem services on business production processes in each of the Fund’s TNFD priority sectors identified.

The analysis was an important first step in identifying key nature risk exposures. The intention is for Officers to use these insights to engage with underlying managers and the voting & engagement provider to gather more information on the subject.

The analysis noted that under both metrics that there was significant exposure within listed equities, and marginal exposure within the corporate bond holdings. Please note that significant exposure to these metrics does not necessarily indicate that the Fund is negatively affecting these areas. Instead it provides a starting point for conversation for Officers to have with the underlying managers on the topics to see how the companies within these areas are operating (positively or negatively) from a nature perspective.

Key Findings

All analysis was conducted as at 31 March 2024, analysis found that:

Metric 1 – Identified significant exposure within Listed Equity

- 38.8% of listed equity portfolio is exposed to TNFD priority sectors (Semiconductors, Pharmaceuticals and Chemicals represented the highest exposures)
- 12.6% of corporate bond exposure within MAC (analysis scaled up to 100% due to coverage) is exposed to TNFD priority sectors (Hotels, Restaurants and Leisure represented the highest exposure)

Metric 2 – Identified significant exposure within Listed Equity

- Exposure to biodiversity-sensitive locations within listed equity portfolio = 57.8%
- Exposure to biodiversity-sensitive locations within multi-asset credit portfolio (corporate bond exposure) = 8.9%

TNFD Priority Sectors & Biodiversity Sensitive Areas Exposure

Key:
Higher than 70%
Between 40% and 70%
Lower than 40%

Top Priority Sectors - Listed Equity

ENCORE

TNFD Priority Sector	Weight of priority sectors	% of weight exposure to companies with operations in Biodiversity Sensitive Areas	Dependency					Impact				
			Water	Flood & Storm Protection	Waste	Soil & Sediment Retention	Climate regulation	Pollutants	GHG Emissions	Waste	Water	Land Use
Semiconductors & Semiconductor Equipment	8.3%	46.0%										
Pharmaceuticals	6.3%	73.4%										
Chemicals	3.5%	73.9%										
Household Products	1.9%	100.0%										
Personal Care Products	1.8%	100.0%										

Top Priority Sectors – Corporate Bonds

ENCORE

TNFD Priority Sector	Weight of priority sectors	% of weight exposure to companies with operations in Biodiversity Sensitive Areas	Dependency					Impact				
			Water	Flood & Storm Protection	Waste	Soil & Sediment Retention	Climate regulation	Pollutants	GHG Emissions	Waste	Water	Land Use
Hotels, Restaurants & Leisure	2.6%	53.7%										
Oil, Gas & Consumable Fuels	2.5%	47.6%										
Metals & Mining	1.5%	55.4%										
Electric Utilities	1.1%	86.9%										
Food Products	0.7%	0.0%										

Source: MSCI and Mercer. Percentage out of total companies with data coverage for their exposure to biodiversity sensitive areas. Impacts and dependencies are flagged with colour if the sectors are categorized on the ENCORE tool as having a medium to very high impact/dependency (see ENCORE slides for more information).

TNFD Engagement Exercise

As part of our analysis we engaged with our underlying investment manager (Russell) and WPP's voting and engagement provider (Robeco) to ask a series of nature related questions to understand if they are currently reporting or conducting analysis in respect of nature.

We encourage our investment managers to produce a nature policy and encourage them to have the ability to understand the impacts of nature-related risks and opportunities within our portfolios.

TNFD Next Steps

We are taking steps following the analysis to progress in the area of nature by:

(1) Reporting our analysis where appropriate within central documentation
(2) Engaging with our investment managers and voting and engagement provider to follow up engagement questions which were conducted as part of the analysis
(3) Continuing to monitor and report engagement efforts with companies on nature risks and disclosure
(4) Exploring potential nature-based solutions within the wider portfolio

Section 9
Actions to achieve targets going forward

The Fund is invested in the WPP Sustainable Active Equity Fund and is targeting a total commitment of 15% of the total Fund. This target was fulfilled in July 2024.

The Fund remains firmly committed to allocation to local/ impact funds within private markets and will continue to do so and report on progress with the support of "The Good Economy". The Fund has increased its target allocation to local/impact funds from 6% to 8% over the past 12 months.

Additionally, the Fund will focus its attentions over the next 12 to 18 months on:

- **Listed Equities** – continue monitoring Listed Equities against the interim decarbonisation targets.
- **Listed Equities** – engage with companies through WPP, Russell or through the WPP voting and engagement provider (Robeco) in respect of our new climate engagement target list which highlights the highest intensity emitters which are not currently under engagement by Robeco or Climate Action 100. Our latest analysis showed that within our Listed Equity portfolio, the top 10 contributing issuers are responsible for 81% of the Listed Equity portfolio carbon intensity (scope 1 and 2), whilst only representing a 6% weight. This holding therefore represents a material risk to the Fund should a rapid transition materialise. It is imperative for the Fund that the investment managers are cognisant of this risk and are actively engaging with these companies.
- **MAC** – engage with WPP on a sustainable MAC mandate and engage with WPP with respect to the underlying managers of the mandates to see what commitments have made in respect of decarbonisation.
- **TAA** – continue to allocate to sustainable versions/ ESG titled funds when implementing tactical positions where possible.
- **Private Markets** – continue to engage with Private Market managers under the new template in line with the latest IIGCC guidance for climate analysis and look to set credible targets for these asset classes where possible (dependent upon data quality and manager responses).
- **Nature –** Continue to use nature analysis and engagement with managers to understand how they are managing potential risks.
- **WPP -** WPP will be continuing to build on its foundation, in particular it plans to focus on the following which will help support our Fund's progression:
    - Manager monitoring framework;
    - Climate and ESG risk reports evolution;
    - Impact questionnaire;
    - Escalation: RI workshop.

Appendix A
Climate Scenario Modelling Assumptions

Investment and Funding Climate Scenario Analysis Assumptions	Rapid Transition	Orderly Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C above pre-industrial levels by 2100.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Cumulative emissions to 2100	416 $GtCO_2e$	810 $GtCO_2e$	5,127 $GtCO_2e$
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'Rapid' transition.		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from:		

Investment and Funding Climate Scenario Analysis Assumptions	Rapid Transition	Orderly Transition	Failed Transition
	Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer and Ortec. Climate scenarios as at December 2022

The return impacts of the climate scenarios represented in this report are relative to the 'baseline'. The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to **a Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Limitations associated with climate scenario modelling

Climate scenario modelling is a complex process. The Committee is aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Appendix B
Exclusions Policy

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

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

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

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

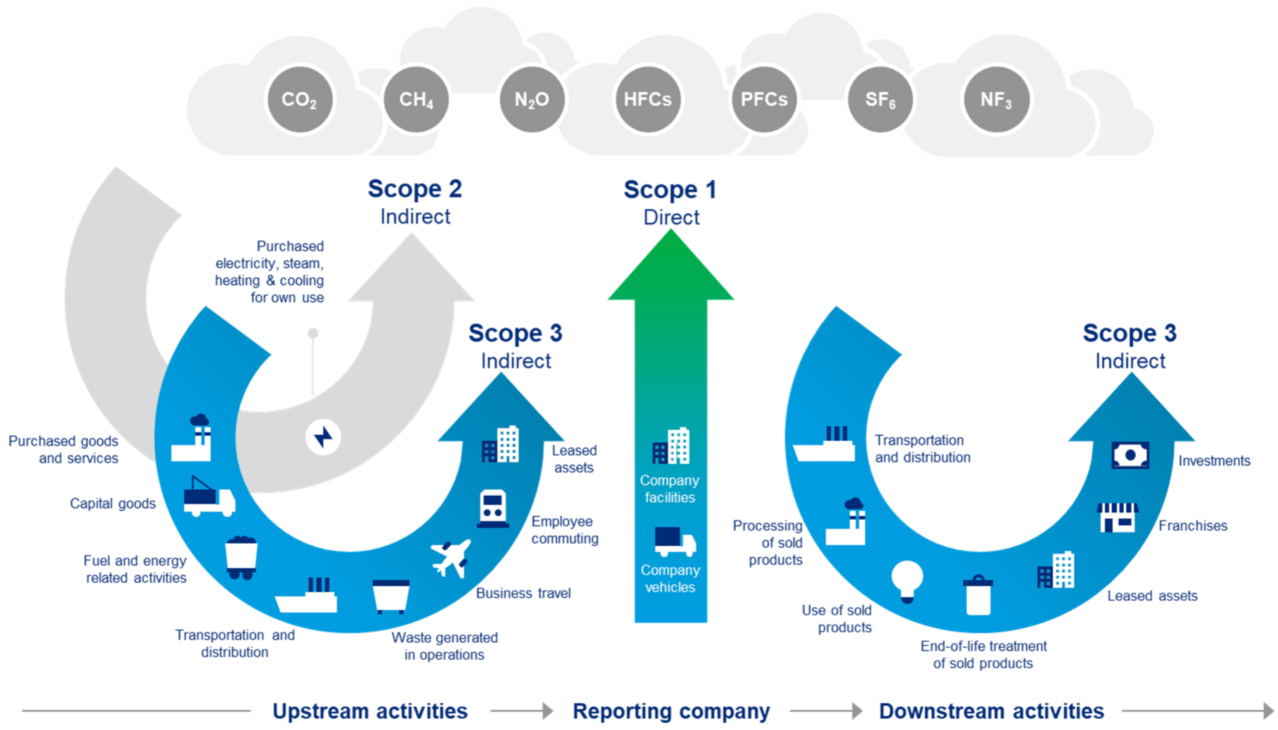
The Fund recognises that in order to implement the exclusions policy it will need to work with the WPP. Given the pooled fund nature of the investments, the Fund will take a best-efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion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

Source: Clwyd Pension Fund Investment Strategy Statement.

Appendix C
Overview of Climate Metrics

Absolute Emissions

This metric represents the underlying investee company's or issuer's reported or estimated GHG emissions, where available. It includes various scopes of emissions, which are summarised in the following diagram.



Source: MSCI ESG Research LLC. Reproduced by permission.

There are seven recognised GHG's, as defined by the GHG Protocol. In order to simplify reporting, each GHG is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO2e).

For the purpose of this report, only scope 1 and 2 emissions have been reported, although in the annual analysis reviewed by Committee Scope 3 data is considered. The absolute emission metric is a proxy for the share of GHG emissions that are 'owned' by the Fund through investing in the underlying companies and issuers, including countries (referred to as 'sovereign exposure' through government debt).

Emissions intensity metric: Carbon Footprint and Weighted Average Carbon Intensity (WACI)

Carbon Footprint takes the total absolute carbon emissions of the portfolio and divides it by the current value of the portfolio to measure the tonnes of CO2 equivalent per $million invested. This allows comparison between Funds of different sizes, as well as a fair comparison through time as the Fund’s own assets will fluctuate year on year.

Weighted Average Carbon Intensity takes each underlying company’s absolute emissions and divides it by the company’s revenue (tonnes of CO2 equivalent per $million revenue). This provides the Committee with an indication of whether the underlying companies are decarbonising over time and shows how sensitive the underlying investments are to climate transition risk.

Appendix D
Climate Metric Analysis Approach

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI using stock list data provided by the investment managers. Other data has been requested directly from the asset managers.

Proxy data

For some asset classes, data coverage is too low (or no data is available) to be able to take a pro rata approach. Use of proxy data (data of other asset classes or funds that broadly represent a given fund) can help provide climate-related data where coverage for an asset class/fund is limited.

Note no proxy data has been used in this analysis.

Scope of emissions

Scope 1, 2 and 3 emissions data has been included in this report. The data coverage for Scope 3 emissions data is improving but the assessment of an invested company's carbon footprint could be considered an understatement. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long-dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.

Appendix E
Climate Change Glossary

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.

Carbon footprint: The amount of carbon dioxide (or other greenhouse gasses) released into the atmosphere as a result of the activities of a particular individual, organization or community. Carbon footprint is calculated for each company as (Scope 1 and 2 carbon emissions / $m investments). See also Scope 1, 2, 3 emissions and Weighted Average Carbon Intensity (WACI).

Carbon intensity: The amount of emissions of carbon dioxide (or other greenhouse gasses) released per unit of another variable such as revenue, gross domestic product (GDP), per $1million invested etc. See also Weighted Average Carbon Intensity (WACI).

Carbon price: The price for avoided or released carbon dioxide (CO2) or CO2-equivalent emissions. This may refer to the rate of a carbon tax, or the price of emission permits. In many models that are used to assess the economic costs of mitigation, carbon prices are used as a proxy to represent the level of effort in mitigation policies.

Carbon neutrality: Achieved by offsetting emissions by paying for credits (usually certified via new forestry equivalents that provide carbon removal). Carbon neutrality is similar to net zero targeting – the latter requires actual emissions reductions to meet targets though (rather than purchasing offsets). See also Net Zero CO2 emissions.

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.

Decarbonisation: The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry and transport.

ENCORE: (Exploring Natural Capital Opportunities, Risks and Exposure) is a free, online tool that helps organisations explore their exposure to nature-related risk and take the first steps to understand their dependencies and impacts on nature.

Financial Stability Board: an international body established by the G20 that monitors and makes recommendations about the global financial system

Global warming: The estimated increase in global mean surface temperature expressed relative to pre-industrial levels unless otherwise specified. See also Pre-industrial.

Greenhouse gases: Gases in the planet's atmosphere that trap heat. They let sunlight pass through the atmosphere but prevent heat from leaving the atmosphere. Greenhouse gases include: Carbon Dioxide (CO2), Methane (CH4), Nitrous Oxide (N2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur Hexafluoride (SF6), Nitrogen Trifluoride (NF3).

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

Inevitable policy response: A scenario that expects an acceleration of climate-related policy announcements in 2023−2025, which has been supported by the Principles for Responsible Investment (PRI).

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.

Mitigation (of climate change): A human intervention to reduce emissions or enhance the sinks of greenhouse gases.

Mitigation strategies: In climate policy, mitigation strategies are technologies, processes or practices that contribute to mitigation, for example, renewable energy (RE) technologies, waste minimization processes and public transport commuting practices.

Net zero CO2 emissions: Net zero carbon dioxide (CO2) emissions are achieved when CO2 emissions are balanced globally by CO2 removals over a specified period. The term "net zero" is also typically associated with the 2050 date or earlier, as this is aligned with the scientific recommendations to achieve a 1.5°C scenario. See also Carbon neutrality (which differs slightly).

Paris Agreement: The Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) was adopted on December 2015 in Paris, at the 21st session of the Conference of the Parties (COP) to the UNFCCC. The agreement, adopted by 196 Parties to the UNFCCC, entered into force on 4 November 2016 and as of May 2018 had 195 Signatories and was ratified by 177 Parties. One of the goals of the Paris Agreement is "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels", recognising that this would significantly reduce the risks and impacts of climate change. Additionally, the Agreement aims to strengthen the ability of countries to deal with the impacts of climate change.

Physical risks: Dangers or perils related to the physical or natural environment that pose a threat to physical assets e.g. buildings, equipment and people. Mercer's scenario analysis grouped these into the impact of natural catastrophes (for instance sea level rise, flooding, wildfires, and hurricanes) and resource availability (particularly water). See also Transition risks.

Pre-industrial: The multi-century period prior to the onset of large-scale industrial activity around 1750. The reference period 1850–1900 is used to approximate pre-industrial global mean surface temperature.

Principles for Responsible Investment (PRI): Non-profit organisation that encourages investors to use responsible investment to enhance returns and better manage risks. It engages with global policymakers and is supported by, not but part of the United Nations. It has six Principles for Responsible Investment that offer a menu of possible actions for incorporating ESG issues into investment practice.

Private Market Investments: Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.

Resilience: The capacity of social, economic and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganising in ways that maintain their essential function, identity and structure while also maintaining the capacity for adaptation, learning and transformation.

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.

Scope 1, 2, 3 emissions: Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Stranded assets: Assets exposed to devaluations or conversion to "liabilities" because of unanticipated changes in their initially expected revenues due to innovations and/or evolutions of the business context, including changes in public regulations at the domestic and international levels.

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.

Task Force on Climate-related Financial Disclosures (TCFD): framework designed to improve and increase reporting of climate-related financial information

Taskforce on Nature-Related Financial Disclosures (TNFD): market-led, science-based TNFD framework enabling companies and financial institutions to integrate nature into decision making

Transition Alignment: the process of moving away from high-carbon intensive processes towards business models and assets aligned with a low carbon future and the Paris agreement. Different sectors will have different pathways to net zero.

Transition risks: Risks from policy changes, reputational impacts and shifts in market preferences, norms and technology as the economy moves to a low carbon approach. See also Physical risks.

Weighted average carbon intensity (WACI): The carbon intensity of a portfolio, weighted by the proportion of each constituent in the portfolio. Carbon intensity is calculated for each company as (Scope 1 and 2 carbon emissions / $m revenue). See also Carbon footprint.

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.

Important Notices

Important notices from data providers

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Cronfa Bensiynau
CLWYD
Pension Fund

mss.clwydpensionfund.org.uk

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

Clwyd Pension Fund

Managing Climate Risk
Highlights for Year Ended 31 March 2024

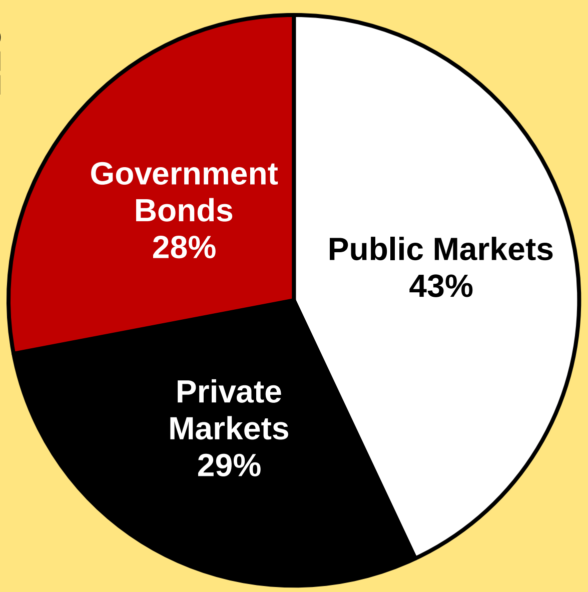
Fund Beliefs

ESG factors, including climate change, can **impact the performance** of the Fund's investments over the medium to long-term.

Taking a broader and longer-term view on ESG factors, presents risks and opportunities which need to be thought about carefully. Sustainability themes and trends can be identified.

Good stewardship can add value and lessen risks in the long-term.

How the assets are invested



Total emissions quoted in this summary are based on scope 1 and 2 emissions and covers approximately c.65% of total Fund assets where reliable greenhouse gas emissions data is available.

***Scope 1: Direct** emissions from company activity (for example, running gas boilers and vehicles)*

***Scope 2: Indirect** emissions (for example, electricity purchased for heating and cooling buildings)*

Targets

- **Total Fund:** to be Net Zero by 2045 or earlier, with a 50% or more reduction in greenhouse gas emissions by the end of 2030
- **Total Fund:** to have at least 30% assets allocated to sustainable investments by 2030
- **Public equities:** reduce greenhouse gas emissions by 36% by 2025 and 68% by 2030

Highlights of progress to date

The Fund has achieved its 2025 decarbonisation target within public equities one year early, decarbonising by c.40% (carbon footprint) since its 2021 baseline to 2024.

The Fund has c.29% of assets invested or committed to be invested in sustainable investments.

The Fund is close to meeting the "Fund's Ambition" under its Exclusions Policy within listed equities.

The Fund is implementing a new company Climate Engagement Target List to focus on the heaviest ongoing emitters, to push for further decarbonisation.

Ongoing Greenhouse Gas Emissions

The annual greenhouse gas emissions from companies in the Fund's public assets is:

50,698 tons CO_2e

This is a **reduction of 47,180 ton CO_2e since 2023**, driven by strategic decisions made by the Committee to invest further in sustainable assets.

Emissions in the real world

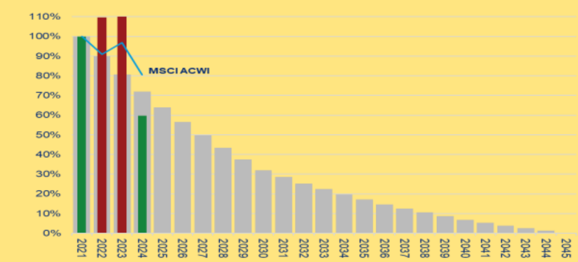
The 47,180 ton reduction in greenhouse gas emissions, under scopes 1 & 2, is broadly equivalent **to removing 33,847 cars from the road.**

*Based on average car mileage of **6,600** per year and **211g CO_2** per mile for a medium sized car.*

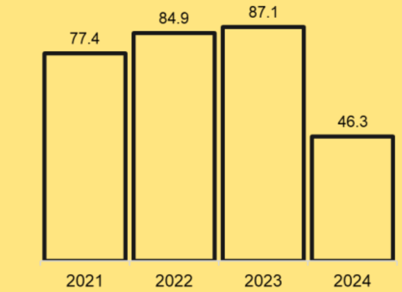
Source: *Nimblefins Average CO2 Emissions*

Ongoing emissions have fallen materially since 2021

Decarbonisation Pathway (Listed Equity Scope 1 & 2)



Carbon Footprint (tCO2e / $M invested)



Key Actions Taken

Targets have been set and met against public equities and an exclusions policy adopted (see latest Investment Strategy Statement).

Risks and Opportunities: Regular analysis is undertaken to identify climate change related risks and opportunities that should be prioritised in order to help achieve the Fund's targets.

Three metrics, covering c.65.4% of Fund assets, have been chosen to monitor the progress against climate change risks. The level of assets covered is expected to continue to rise over time.

Nature: The Fund has undertaken analysis on two core Taskforce for Nature-related Financial Disclosure metrics; exposure to priority sectors and biodiversity-sensitive locations.

Future Actions

- Continue to consider opportunities to reduce green house gas emissions.
- Implement new Climate Engagement Target list, engaging with companies through WPP. Focus on underlying companies with the greatest carbon footprint (scope 1 and 2) to advance decarbonisation efforts.
- Continue to extend target setting i.e. private markets (where possible) in line with latest industry guidance.
- Continue to use nature analysis and engagement with managers to understand how they are managing these potential risks.

You can read the Fund's full Climate Change-related Disclosures here. It sets out all the assumptions, limitations & important notices in respect of the climate-related data presented in this summary.

Jargon Buster

Clwyd Pension Fund (the "Fund"): The Pension Fund managed by Flintshire County Council for local authority employees in North-East Wales and employees of other employers with links to local government in that area

Emissions / Carbon Emissions: the gases or particles released into the air that can contribute to global warming or poor air quality

ESG: ESG stands for Environmental, Social and Governance. When ESG factors are taken into account this is often called "sustainable investing".

Exclusion Policy: This sets out when and how the Fund may decide to move investments out of a particular company so that we are investing in a more sustainable way.

Fossil fuels: Fuels (such as coal, gas, peat and oil) that are formed in the ground over many thousands or millions of years from dead plants and animals and are used up once they are burned for energy.

Greenhouse gases (GHG): Gases in the atmosphere that trap heat causing warming in the lower atmosphere. The major greenhouse gases include carbon dioxide, methane and nitrous oxide.

Investment Strategy Statement (ISS): The main document that outlines our strategy in relation to how we invest the Clwyd Pension Fund's assets.

Listed Assets: Investments in companies which are available to trade publicly (these can include "bonds", which are company loans and "shares or equities") which are ownership stakes in the company and which are traded on a stock exchange.

Lower Carbon Economy: A financial system (economy), usually of a country or region, focused on sustainable actions, such as lowering greenhouse gas emissions.

Net Zero: This means achieving an overall balance between carbon dioxide emissions produced by human activity and carbon dioxide taken out of the atmosphere, for example, through re-absorption by forests. The term "net zero" is also typically associated with a target date for when to achieve this.

Private Market Investments: Investments which are not available to trade publicly. These include Private Equity / Debt, Property, Infrastructure, Timber and Agriculture.

Stewardship: In an investment context, good stewardship is the responsible allocation, management and oversight of our assets to create long-term value for the Fund's members and employers, and sustainable benefits for the economy, the environment and society.

Strategic asset allocation: the Fund's target split of assets into different types of investment, as set out in its Investment Strategy Statement.

Sustainability (or sustainable investing): An approach where investors take into account environmental, social and governance factors.

Task Force on Climate-related Financial Disclosures (TCFD): a framework designed to improve and increase reporting of climate-related financial information.

Transition: the process of moving away from high-carbon intensive processes towards business models and assets aligned with a lower carbon future.

Wales Pension Partnership (WPP): A collaboration of the eight LGPS funds (Constituent Authorities), including Clwyd Pension Fund, covering the whole of Wales. WPP is one of the eight national Local Government Pension pools established in 2017.

Mercer

welcome to brighter

Net Zero Progress Update - ACT Advanced

Clwyd Pension Fund

Analytics as at 31 March 2024

November 2024
Sandy Dickson

A business of Marsh McLennan

Contents

Executive summary

Clwyd Pension Fund

Key points to note

- Strong progress towards listed equity decarbonisation targets
- Progress on measuring engagement/ alignment target and new proposed alignment target in line with IIGCC guidance
- Strong position against Fund's Exclusion Policy within listed equities
- Steps made to expand analysis into private markets to enable target setting

The Fund has made strong progress towards existing targets and is close to achieving the 'Fund's Ambition' for its Exclusion Policy within listed equities

Analytics for Climate Transition

The How and What?

Mercer's Analytics for Climate Transition (ACT), follows a step by step approach to align to a net zero* outcome by 2050 or earlier.

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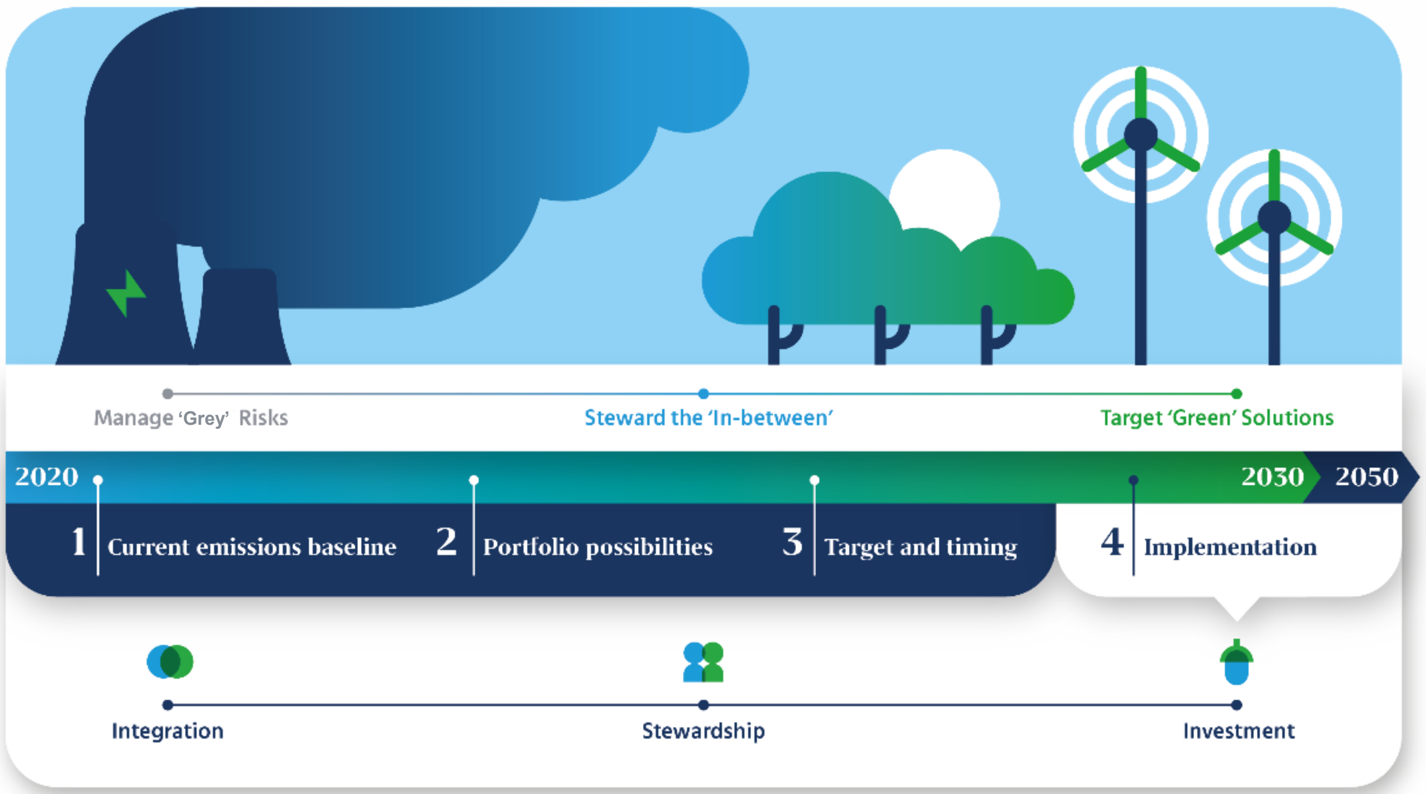


The recommendations are in the form of a **climate transition plan, including targets, and have confidence in answering key questions**:

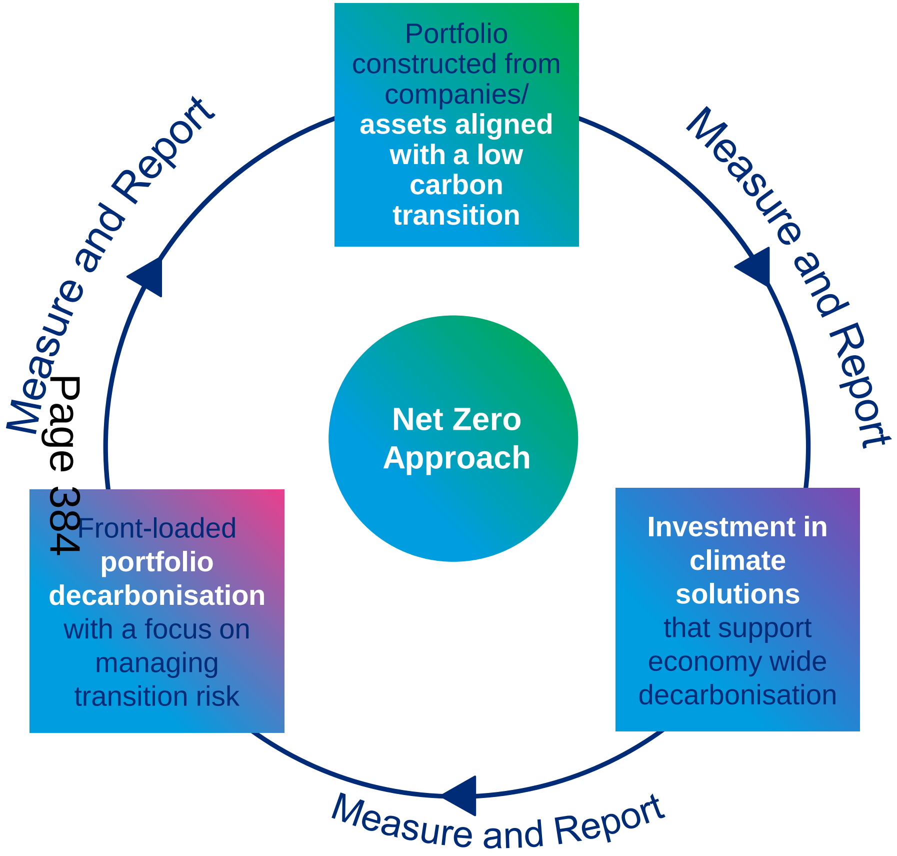
a. Can we reduce emissions and set aligned targets while:
   i. meeting investment objectives; and
   ii. not just divesting from today's high carbon companies

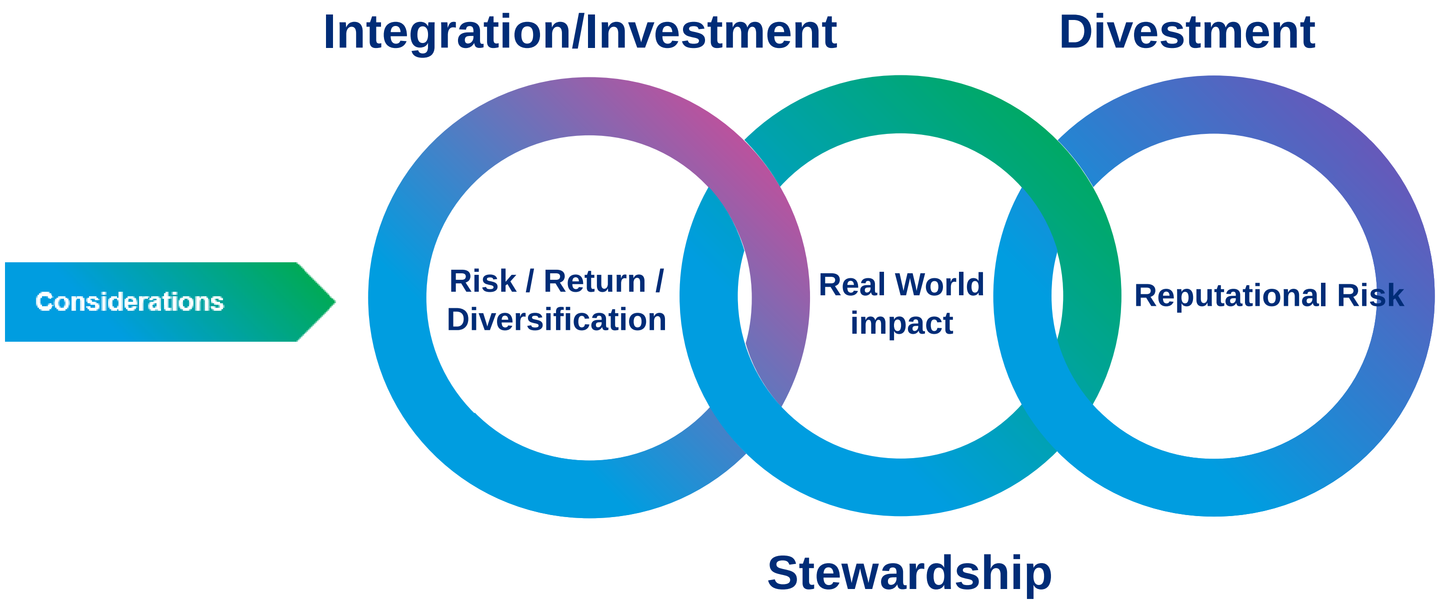
b. Can this be practically implemented and monitored?

*'Net zero' means emissions are reduced as far as possible, where there are options to do so, with any remaining emissions offset by absorbing an equivalent amount from the atmosphere e.g. in nature (trees and soils) or via carbon capture and storage or other technologies

Net Zero Approach

Key considerations & levers





- It is **challenging to maximise every net zero approach** as there are trade-offs associated. When applied in isolation, they may lead to unintended outcomes from both a financial and sustainability perspective.
- Based on the Fund’s objectives and commitments to stakeholders, it is important to **establish priorities and strive for balance** which supports financial objectives (risk, return, diversification) as well as real world impact.
- To date, the focus to reach net zero targets has been around decarbonisation followed by climate solutions with an increasing focus on alignment. The **alignment assessment of assets is critical** to enable a more holistic approach to a whole economy transition.

Net Zero Approach

Summary of progress

On Track

Progress Required

- **Listed Equity Carbon Footprint (scope 1 +2) has fallen c.40.2%** over 2021-2024 and is **currently ahead** of the proposed decarbonisation pathway. The Fund has advanced its position over the year, largely due the WPP Sustainable Active Equity fund now making up the entire equity allocation (15% SAA**).
- **Further work required** to bring other asset classes, particularly private markets, into target setting.
- See private market section.

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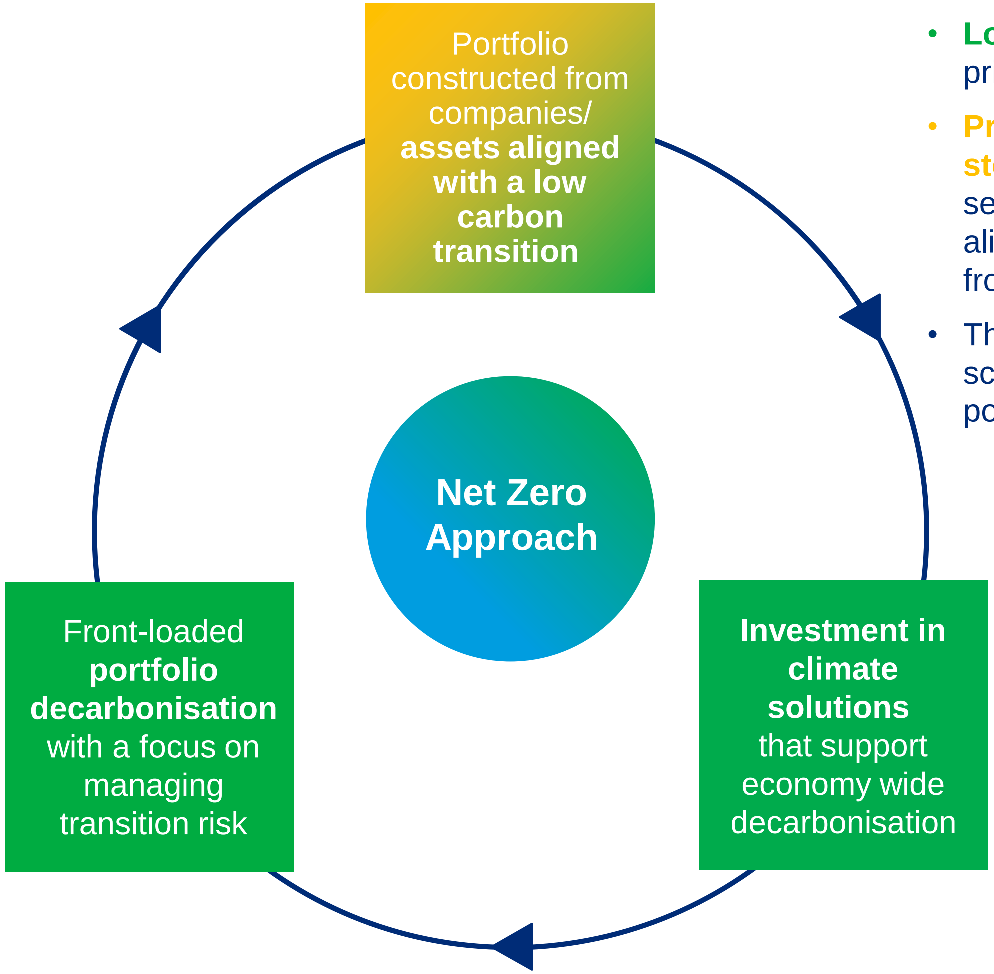


- **Low allocations to Grey assets***, concentrated primarily in the WPP Multi-Asset Credit mandate.
- **Progress slowed against alignment and stewardship targets** for material (high impact) sectors due to the methodology for assessing alignment being enhanced with latest guidance from IIGCC.
- The Fund is currently meeting its fossil fuel screening ambition under the existing exclusions policy.

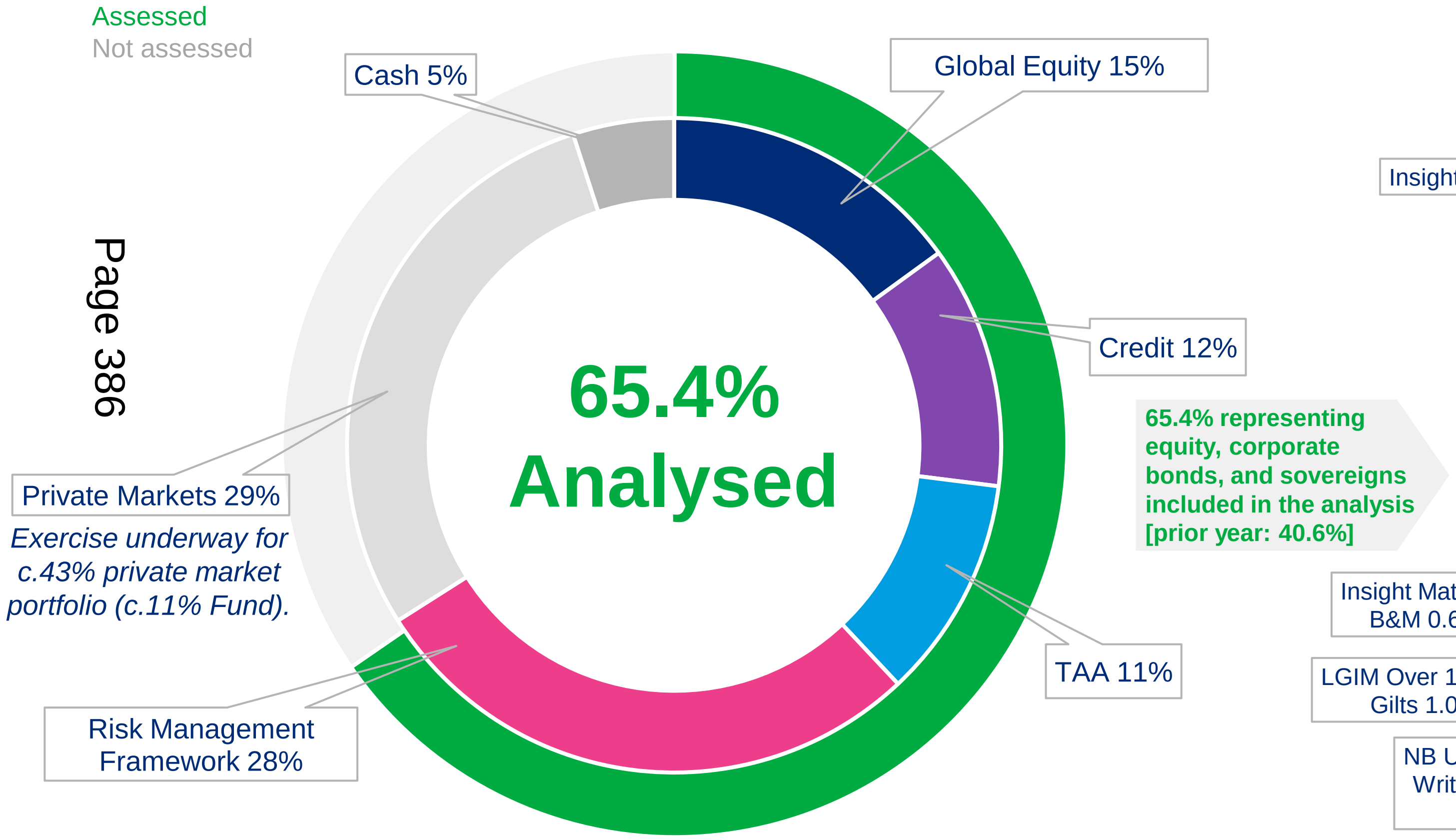
- The Fund invested into the **WPP Sustainable Active Equity fund** in June 2023. The Fund then topped up its investment into the Fund in March 2024 switching out of the WPP Emerging Market Equity fund.
- At the time of writing, the **Fund has increased its commitments to renewable infrastructure** within Wales to a total of £80m and has exposure to a wide range of sustainable & impact allocations.

*Grey assets are not well aligned from a climate transition perspective, with high carbon emissions intensity.
** SAA = Strategic Asset Allocation

Portfolio asset allocation

What's included in the analysis?

Fund strategic asset allocation as at 31 March 2024



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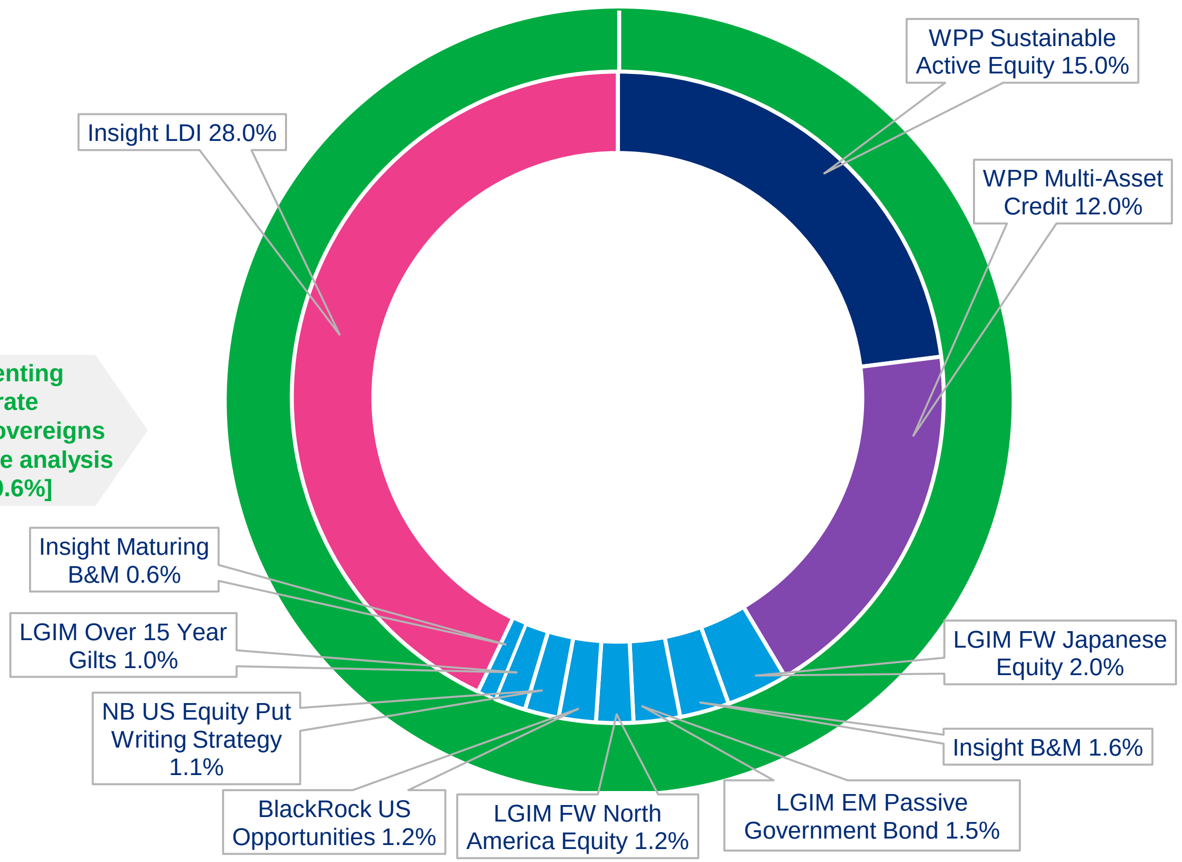
Allocation by manager for analysed assets as at 31 March 2024



Notes: The total allocation for the **WPP Multi-Asset Credit** is 12.0%. However, only the corporate bonds and sovereign bonds legs (c.39.0% and 19.3% of the total mandate's allocation, respectively) are being included in the analysis. The remainder of the fund is allocated to asset classes not covered by the analysis.
Metrics for the exposure to synthetic equity are shown in the Appendix. The LGIM Sterling Liquidity fund (TAA) is excluded from the analysis for lack of decision usefulness due to its very short nature.

Progress to date

How ACT Analysis has been used to date

2021

Set targets:

- Total Fund 2045 Net Zero Target.
- Total Fund decarbonisation target of 50% reduction by 2030, versus 2021 baseline position.
- Adopted Listed Equities portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position.
- Committed to increasing the total Fund's sustainable/low carbon allocation target to 30% by 2030.

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2022

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets.

Investment Manager decisions

- Helped inform decision to introduce WPP Sustainable Active Equity fund.

Stewardship & Engagement

- Identified most strategically important companies to engage with from a climate perspective.
- Targeted 70% of companies, as measured by value invested and emissions, in carbon-intensive sectors either aligned/under engagement in Listed Equities.

2023

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets.

Strengthening Targets

- All Listed Equity portfolio in sustainable mandates by 2030.
- Key development / progress made in switching to WPP Sustainable Active Equity fund in June 2023.

Adoption of Exclusions Policy

- Exclusions policy framework adopted to implement exclusions across coal, oil and gas revenue thresholds.

2024

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets and 2045 Net Zero Target.

Private Markets

- Phase 1 of data collation exercise for private market assets initiated to enable target setting in future.

Nature

- Initial TNFD Disclosures.

Stewardship & Alignment Targets

- Strengthening alignment target.

Next 12-18 Months

Scope 3 and avoided emissions

- Introduce targets when data quality / availability allows.

MAC

- Engage with WPP/Russell on sustainable MAC product offering.

Private Markets

- Continue to monitor and engage private market managers in Private Equity, Infrastructure, Private Debt and Property to enable target setting.

Climate Scenario Analysis

- Conduct Climate Scenario analysis in 2025.

New investments

- Consider explicit allocation to biodiversity / natural capital, capturing within next strategy review for explicit targets.
- Continue to allocate to Local/Impact private market investments.

Continue progression towards 2045 net zero ambition, further expansion of assets captured in analysis

Current Targets and Progress

On Track   Progress Required

Scope	Current Target	Progress	Progress to date
Total Fund	The Fund targets net zero by 2045. Interim target of carbon reduction of 50% by 2030.	Target setting is currently focused on Listed Equities with other asset classes and strategies being incorporated over time. The Fund is currently on track to achieve its interim decarbonisation targets for listed equities.	

Total Fund	To have at least 30% of the Fund's assets allocated to sustainable investments by 2030.	• Supports overall objective of supporting the global climate transition and sustainability ambitions of the Fund.
		• The Fund currently has 20% of assets in sustainable investments, with an additional 9% in unfunded commitments yet to be drawn. Taking the total to c.29% in sustainable investments.
		• The Fund has made allocations to the WPP Sustainable Active Equity Fund. The Fund has also made commitments to renewable infrastructure and impact investments.
		• Within the Fund's Private Market assets, there are also examples of assets with sustainable tilts. Further work would need to be undertaken to map the overall allocations, but we have provided examples below:
		    • Capital Dynamics – Clean Energy Wales (£80m – previously £50m, the Fund agreed an additional £30m in 2024)
		    • Copenhagen Infrastructure – Energy Transition I (£17m)
		    • Activate Partners – Activate Capital II (£11m)
		    • ECI Partners – ECI 12 (£20m)
		    • Newcore – Strategic Situations Fund V (£15m)
		    • Sandbrook Capital – Climate Infrastructure Fund I (£17m)
		    • Generation – IM Sustainable Solutions Fund IV (£11m)
		    • Brookfield – Global Transition Fund (£10m)
		    • Ambienta – Sustainable Credit Solutions (£10m)
		*(where commitment currency was Euro or USD, GBP amount has been used for comparability).	

Total Fund	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.	The Fund has initiated an exercise to collate information from private market asset classes, including private equity, infrastructure, private debt, property. The Fund should look to set targets in the coming years following analysis of the data received from managers. We note that manager data may vary from manager to manager and would highlight the scale of the exercise to effectively set realistic targets for the Fund.	

Current Targets and Progress

On Track   Progress Required

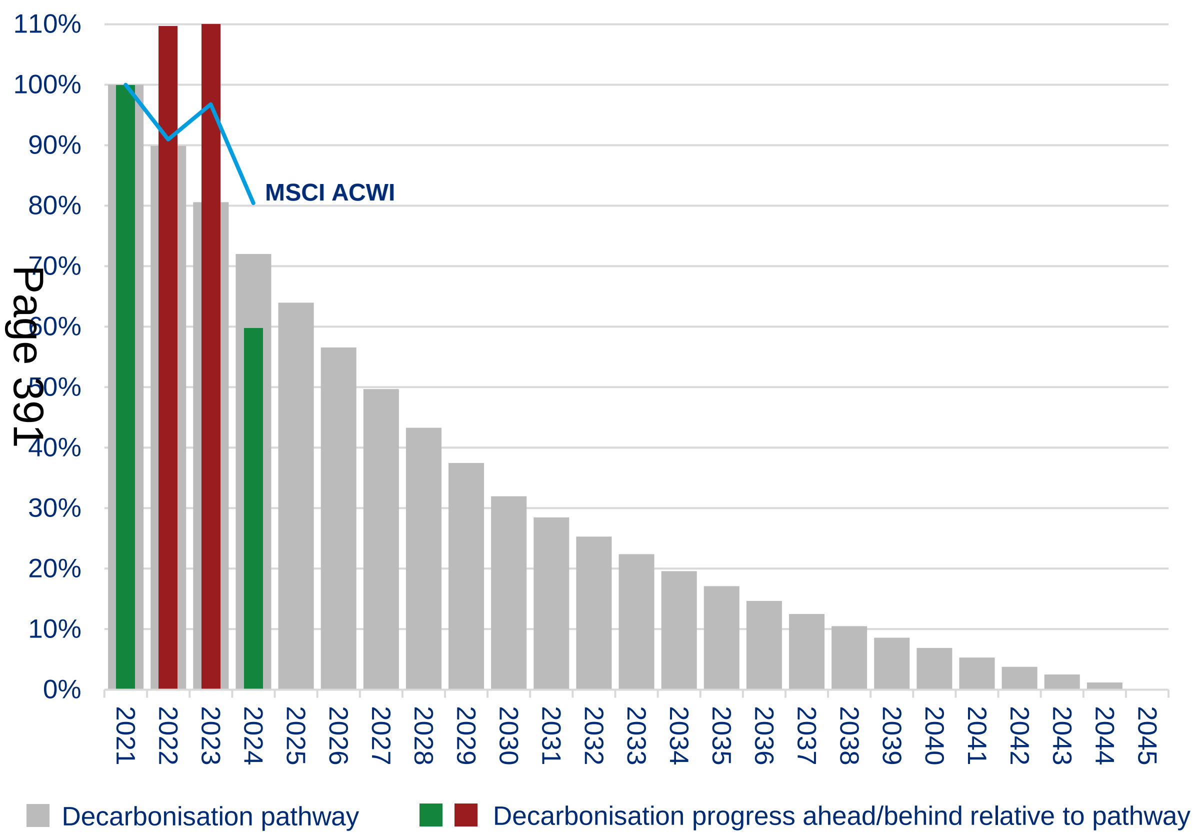
Scope	Current Target	Progress	Progress to date
Listed Equities	Net zero transition trajectory: to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030, versus 2021 baseline position.	The Fund's Listed Equity portfolio has decarbonised by **c.40.2%** since its 2021 baseline to 2024. The Fund has to date achieved its 2025 decarbonisation target for listed equities and is on track to achieve its 2030 target.	
Listed Equities	Target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.	To date the Fund has all of its listed equity portfolio invested in sustainable mandates. The Fund has one listed equity mandate. It has allocated 15% to the WPP Sustainable Active Equity Fund.	
Listed Equities	Stewardship and alignment target: to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve: • by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective; • by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.	53.0% of Material Sectors' Financed Emissions at listed equity level are aligned or subject to active engagement. (65% in 2023). The methodology for assessing alignment was enhanced following the IIGCC Net Zero Investment Framework 2.0. **Proposed updated wording in line with IIGCC guidance** "At least 70% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. This threshold increases to 90% by 2030." (Engagement Threshold Target)	
Listed Equities	**PROPOSED Alignment target**: 100% AUM in material (high impact) sectors in developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to emerging markets by 2040.	Assess from next year.	
Listed Equities	Exclusion Policy – Fund Ambition *(See Exclusion Policy section for full details)*	The Fund is currently aligned to the 'Fund Ambition' under the existing Exclusion Policy,	

Portfolio Decarbonisation Scope 1 + 2

Decarbonisation pathway – Listed Equity

Progress relative to a transition curve consistent with net zero by 2045 – (Scope 1 and 2)

Carbon Footprint (tCO2e / $million invested) **for listed equity, relative to the 31 March 2021 Baseline**



- The graph shows the proposed decarbonisation pathway for the Fund's Listed Equity portfolio, shown on a Carbon Footprint basis, starting with a 2021 baseline. This portion of the portfolio is shown versus the Listed Equity portfolio decarbonisation target: 36% by 2025 and 68% by 2030, net zero by 2045.

Key takeaways:

- Listed Equity portfolio has seen a decrease in Carbon Footprint since the baseline year.
- **2022**: Carbon Footprint increased as a result of pooling Emerging Markets equities.
- **2023**: Carbon Footprint increased by 2.7%, mostly as a result of the WPP Emerging Market mandate intensity increasing by 16% over the year.
- **2024**: as expected, the transition to the WPP Sustainable Active Equity mandate has reduced the Carbon Footprint of the portfolio by c.40.2% relative to the baseline. As a result, the Fund is currently ahead of the proposed decarbonisation pathway and on track to meet the 2025 target.

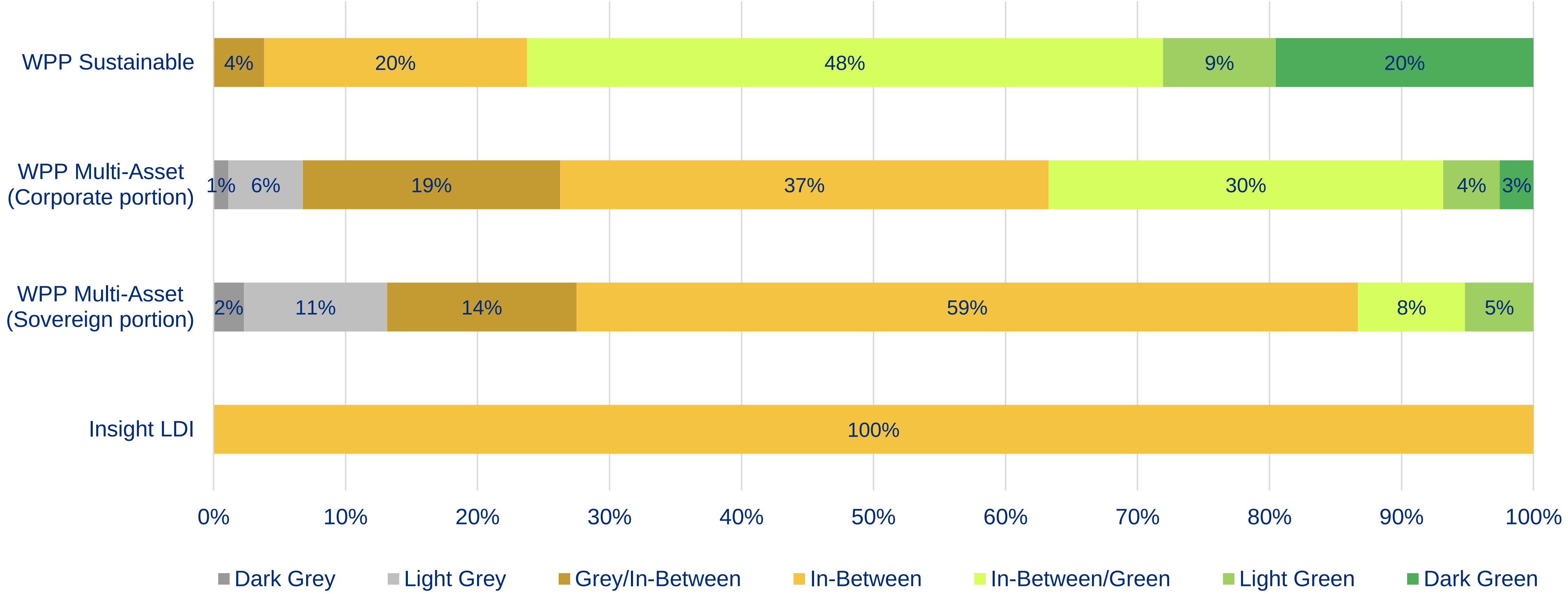
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

Carbon footprint is the primary metric used for decarbonisation monitoring

Stewardship & Alignment

ACT assessment

Assessment by mandate (ex. TAA and Synthetic) by percentage allocation weight



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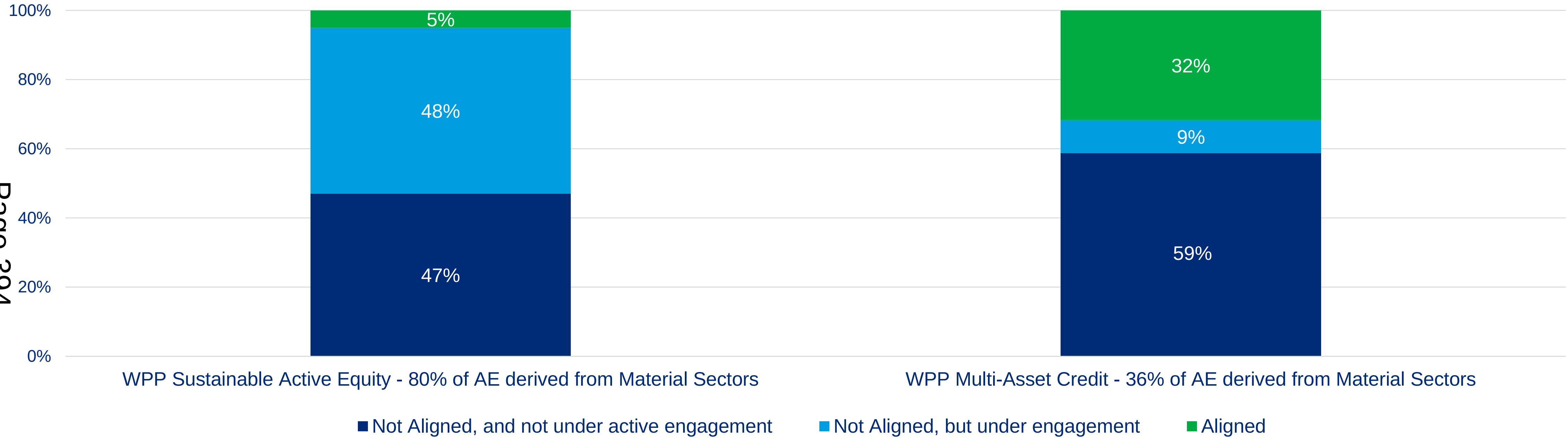
Relatively low allocations to grey assets present within WPP Multi-Asset portfolio, WPP SAE higher allocation to green assets, the majority of asset classes analysed are in-between

Source: Mercer, using data from MSCI, ISS and IRENA. All data is based on stocklists as at 31 March 2024. Percentages are shown by strategic allocation weight within each asset class, and are scaled up to 100% to reflect the data coverage available.

Engagement & Alignment Targets

Material Sectors’ Financed Emissions not aligned or not subjected to active engagement

Identification of proportion of emissions from material sectors demonstrating alignment or under active engagement



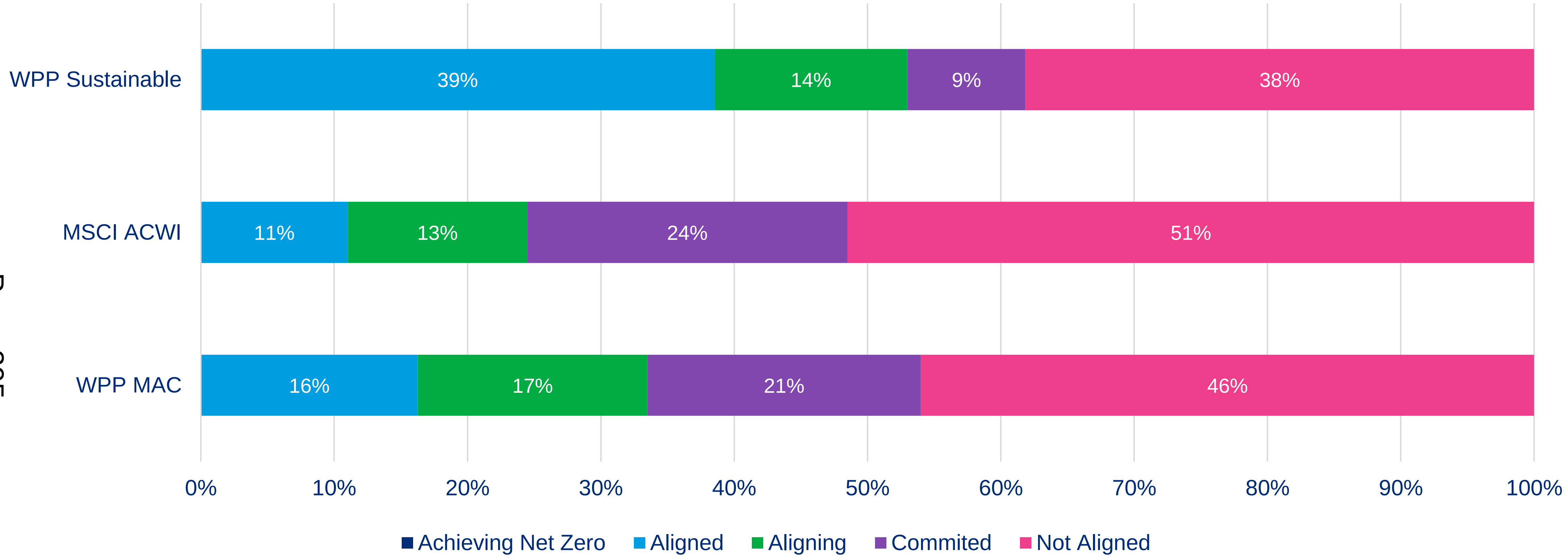
- Companies have been assessed as **under active engagement** if they are within the list of companies captured within the Climate Action 100+ engagement list or are currently being engaged by Robeco. In respect of **alignment,** companies have been deemed aligned if they categorize under “Achieving Net Zero” or “Aligned” in line with the classification criteria of the Paris Aligned Investment Initiative (PAII)’s Net Zero Investment Framework (NZIF)*.

53.0% of Material Sectors’ Financed Emissions at listed equity level are aligned or subject to active engagement
52.0% of Material Sectors’ Financed Emissions at total listed portfolio level are aligned or subject to active engagement

Source: Mercer and MSCI.
Notes: Owing to the different coverage levels across investment funds, it is difficult to compare the investment funds side-by-side, however comparing an investment fund’s progress on these metrics year on year will provide useful progress indicators to engage with investment managers. Sectors are defined as material in line with IIGCC’s classification, that sets out the most material sectors from an owned-carbon emissions standpoint.`*According to the mapping implemented by MSCI ESG Research.

Alignment Targets

Material Sectors' alignment categories by weight



Source: Mercer and MSCI.

PROPOSED Alignment target: 100% AUM in material (high impact) sectors in developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to emerging markets by 2040.

Listed Equity: Climate Engagement Target List

Proposed framework to create a climate target list (WPP Sustainable Active Equity Fund)

	Company Name	Weight within Equity portfolio	Cont. to Carbon Footprint (Scope 1.2)*	Transition category	SBTi target in place?	TPI Management Quality Score	TPI Carbon Performance below 2 degrees?	Engaged by CA+100 or Robeco?	
1	**Company A**	0.6%	31.3%	***Grey/In-between***	No	4	National Pledges	No	**CLIMATE TARGET LIST**
2	**Company B**	0.4%	28.4%	***Grey/In-between***	No	4	1.5 Degrees	Yes	**CLIMATE TARGET LIST**
3	**Company C**	0.4%	4.6%	***In-between***	Yes	3	Paris Pledges	Yes	**CLIMATE TARGET LIST**
4	**Company D**	0.5%	3.4%	***Grey/In-between***	No	4	-	No	**CLIMATE TARGET LIST**
5	**Company E**	0.6%	3.1%	***In-between/ Green***	Yes	4	-	No	**CLIMATE TARGET LIST**
6	**Company F**	0.3%	2.3%	***In-between***	Yes	4	-	Yes	**CLIMATE TARGET LIST**
7	**Company G**	0.6%	2.2%	***In-between/ Green***	Yes	4	-	No	**CLIMATE TARGET LIST**
8	**Company H**	1.2%	2.2%	***Dark Green***	Yes	4	1.5 Degrees	Yes	
9	**Company I**	0.5%	2.0%	***In-between/ Green***	No	4	Below 2.0 Degrees	Yes	**CLIMATE TARGET LIST**
10	**Company J**	0.8%	1.7%	***In-between***	Yes	-	-	No	**CLIMATE TARGET LIST**
	Total	**6.0%**	**81.2%**						

Companies need to pass all four tests to not be included on the climate engagement target list

*Figures are shown as a percentage of the total listed equity portfolio and are not scaled to account for data coverage being less than 100%.

Exclusions Policy

Exclusion Policy – Thresholds Recap

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%

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Fossil Fuels

Revenue Exposure – Listed Equities

Fund's Ambition
In line with target
Outside of target

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition	WPP Sustainable Active Equity as at 31 March 2024
SAA Weight	-	-	15%
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	1%	1%	0.0%
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%	0.5% (£1,722,505) 1 Company – Energy Sector
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%	1.1% (£3,789,510) 2 Companies – Energy Sector

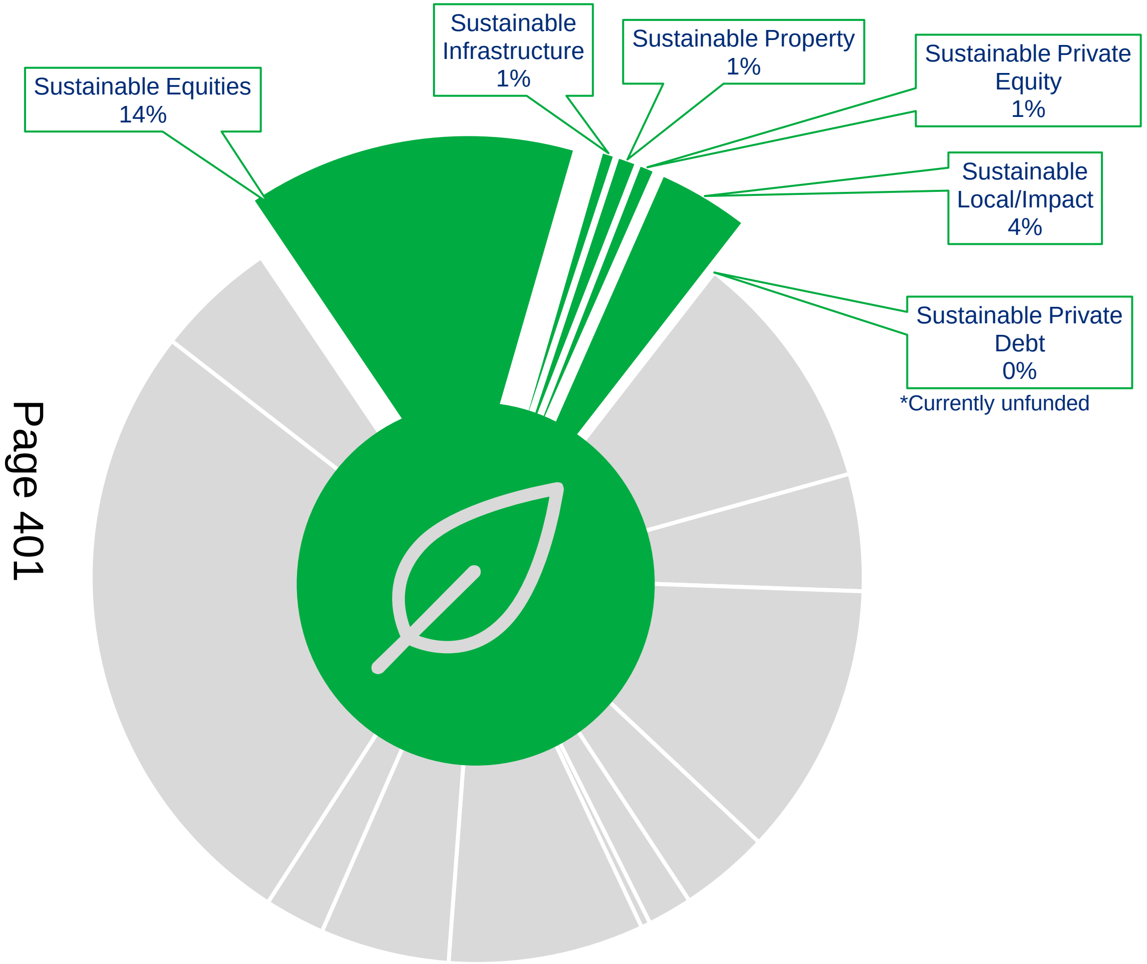
Source: Clwyd Pension Fund ISS. Russell Investments for exposure data who use Sustainalytics data.

The Fund is close to achieving the "Fund's Ambition"

Mercer

Sustainable Investments & Climate Solutions

Sustainable Investments and Climate Solutions



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- **The Fund aims to have at least 30% of the Fund's assets allocated to sustainable investments by 2030.**
- As at 31 March 2024, the Fund had **c.20% of assets** allocation to sustainable investments.
- In addition, the Fund had undrawn commitments within private markets and unfulfilled commitments to the WPP Sustainable Active Equity Fund:
  - WPP Sustainable Active Equity – c.£27m (1.1% total Fund)
  - Private Markets – c.£185m (7.5% total Fund)
  - **Total = £211m (c.9% total Fund)**
- Taking the unfunded commitments into account, the Fund would have **c.29% exposure** to sustainable investments.

Climate Solutions

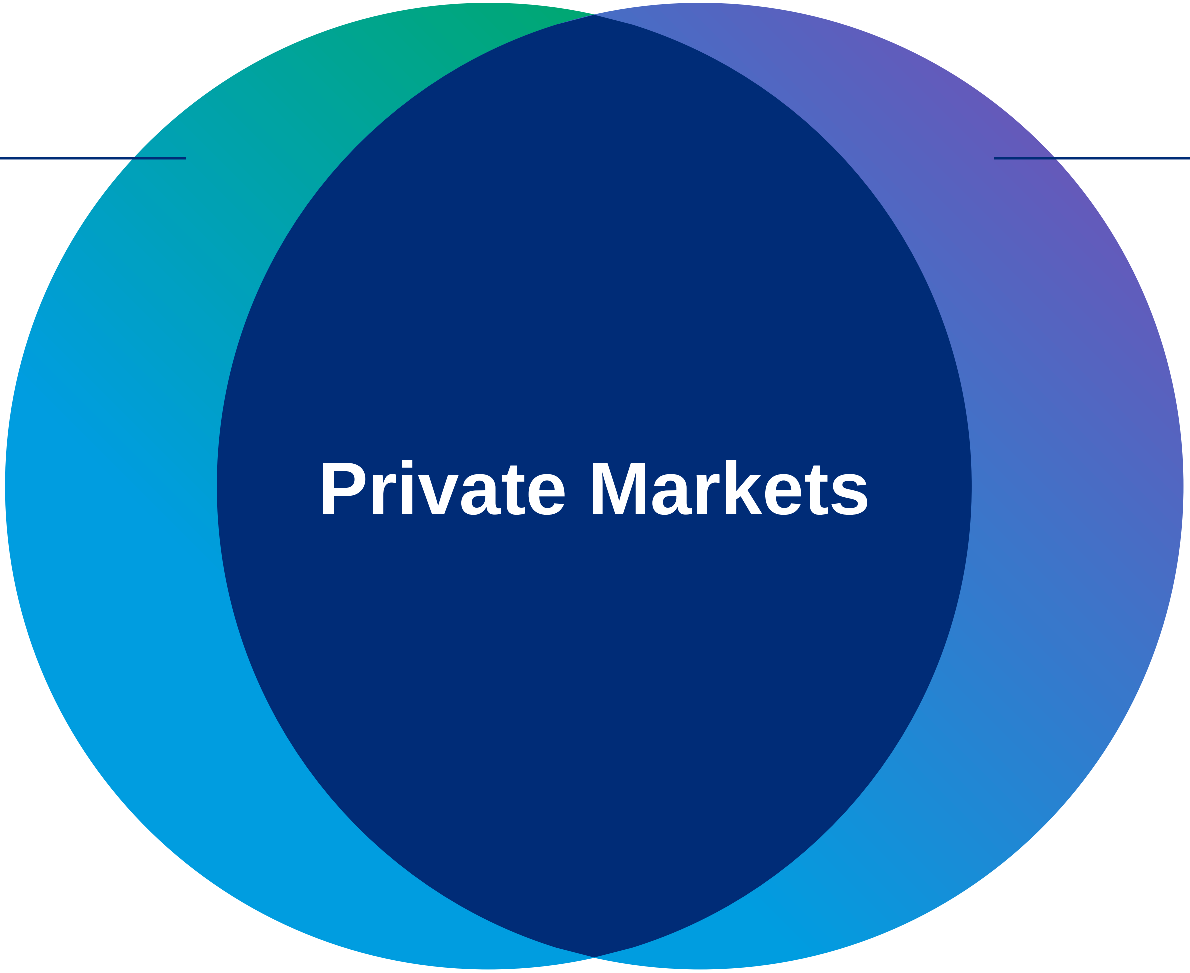
- As at 31 March 2024, the Fund had a total of **c.£69m (2.8%)** invested in climate solution assets.
- In addition, the Fund had undrawn commitments to climate solution assets; including these assets with the current listed asset exposure would take the Fund to **c.£166m (6.7%)** of assets invested in climate solutions.
- Using a look through on the Fund's private markets portfolio may highlight further assets which contribute towards the figures.

The Fund aims to have at least 30% of the Fund's assets allocated to sustainable investments by 2030. The Fund currently has 20% of assets in sustainable investments with an additional c.9% unfunded.

Private Markets

Portfolio Decarbonisation

Private Markets



Transparency and data remains a key challenge

But we are seeing improvements in data availability across various private asset classes.

Net Zero guidance

IIGCC has produced much needed guidance for asset owners looking to set net zero targets for Private Equity, Infrastructure, Private Debt and Property.

Large data exercise initiated on Private Equity, Infrastructure and Property assets

Private Markets

Data Analysis Exercise

- In collaboration with Officers, we have reached out to **c.43% of private market managers** within the Fund **(c.11% total Fund)**.
- Officers and Mercer worked through the existing private market portfolio to target funds for analysis based on several criteria:
  - ➢ Large Local/Impact asset focus
  - ➢ Large asset value
  - ➢ Invested in within the last 5 years
  - ➢ Broad spread of asset classes

These criteria were designed to capture a wide range of funds, and it was not necessary for a fund to meet all criteria, but rather to meet at least one. This approach allows us to include a broader selection of funds in our analysis.

- A summary of the managers targeted are noted on the page.

Asset Class	GP
Private Equity	Activate Capital
	Apax
	Astorg
	August Equity Partners
	FSN
	Livingbridge
Local/Impact	Bridges
	Capital Dynamics
	Circularity
	Development Bank of Wales
	ETF
	Foresight
	Generation
	Impax
	Partners Group
Private Debt	Neuberger Berman
Infrastructure	Access
	Brookfield
	Copenhagen
	JP Morgan
	Q Energy
	Sandbrook
Property	Darwin
	Newcore

Summary & Next Steps

Executive Summary

Four strategic pillars

Key findings:

- Listed Equity decarbonisation is ahead of target
- Good progress on alignment and climate solutions
- Too early to set net zero targets for private markets

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Monitor interim decarbonisation targets for listed assets

Listed Equity

- Continue to monitor progress towards the 2025 and 2030 decarbonisation target.
- Engage with WPP if no significant progress is made in the coming years given the one allocation to listed equity mandates through the pool.
- Take into account the overall 2045 net zero target:
  - Increased focus on portfolio alignment and climate solutions

Monitor engagement and stewardship targets and enhance alignment approach

Assessing the alignment of assets with a low carbon transition, supported by stewardship, allows for a more holistic approach to a whole economy transition.

- Continue to monitor progress against **alignment and stewardship targets** for the listed equity.
- Look to strengthen **alignment targets** in line with the latest **IIGCC guidance.**

Implement an Engagement plan (engaging with WPP/Robeco)

Agreeing how to achieve targets is important, with stewardship playing a key role. Develop a more formal engagement plan for top contributors to carbon footprint within the portfolio.

We propose the following criteria to create a climate target list for engagement: the companies who do not meet each of the four requirements below would be considered for the list.

- Have a SBTi target in place
- Been assigned the top Management Score by TPI (4/4)
- Its alignment in 2050 assessed at below 2 degrees by TPI*
- Already under engagement by CA100+ or Robeco

Progress Private markets disclosures

Continue to monitor and engage with private market managers.

In many cases the data provided was incomplete or represented only a proportion of the total dataset requested, making any form of reliable aggregation at this point in time challenging.

Incorporate biodiversity considerations across pillars

Enhancements and Next Steps

Key decisions and recommendations

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Targets

- Maintain monitoring of progress towards listed equity decarbonisation targets which are currently on track.
- Engage with WPP/Robeco on top emission contributors

Strengthen approach to alignment targets, and adopt climate target list

Integrate nature risk assessment

Continue to evolve TCFD reporting for stakeholders, including climate impact & green solutions measurement

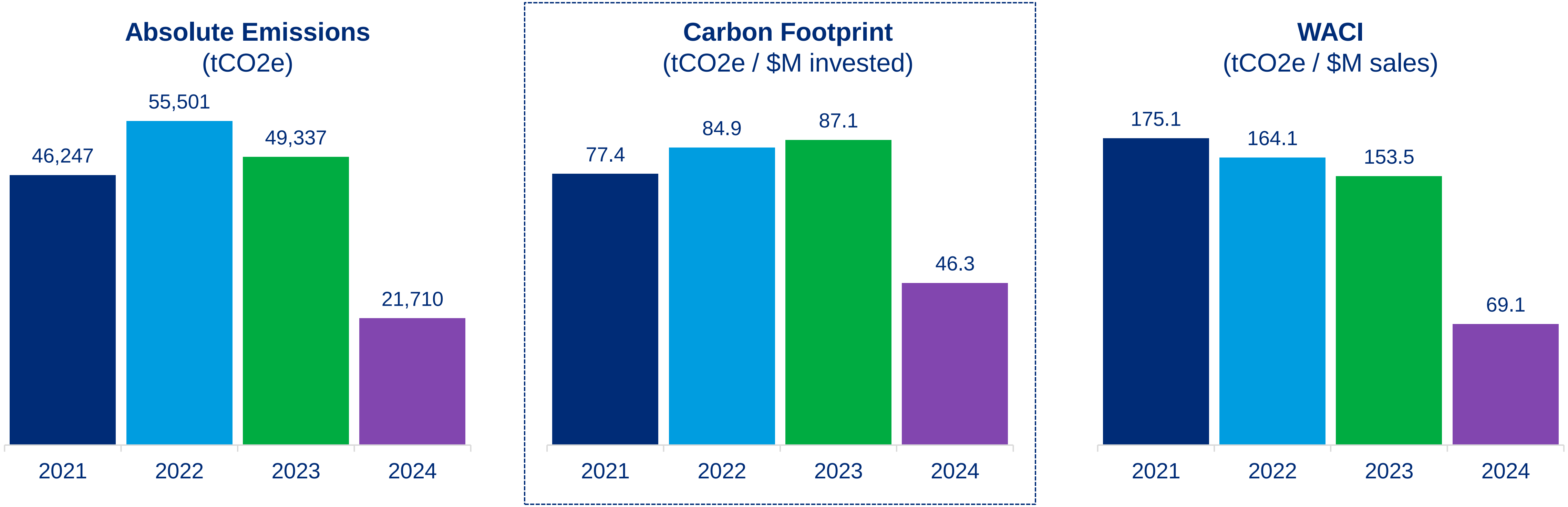
Extend target setting to private markets (where possible) in line with latest IIGCC guidance

Incorporate conclusions / targets into ISS and Responsible Investment Policy

Technical Appendix

Progress versus the baseline

Total listed equity (ex TAA) – (Scope 1 and 2)



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Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

- With the transition to WPP Sustainable Active Equity over the year, the listed equity portfolio has now **decreased by c.40.2% on a Carbon Footprint basis** from March 2021 to March 2024. The Weighted Average Carbon Intensity **(WACI) decreased by c.60.5%** in the same period, and the **Absolute Emissions decreased by c.53.1%**.

Progress versus the baseline

Total TAA – Scope 1 and 2

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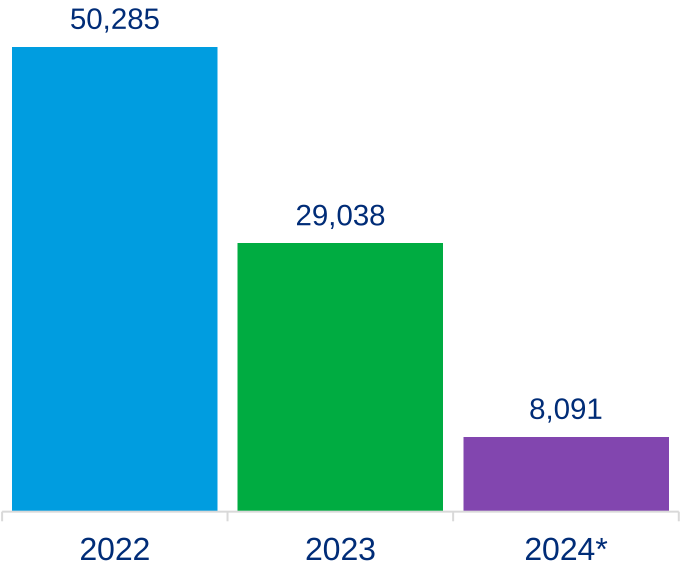
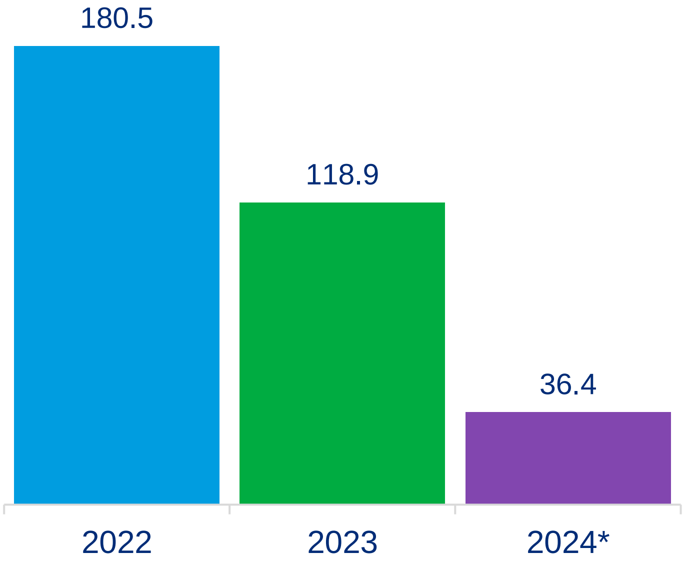
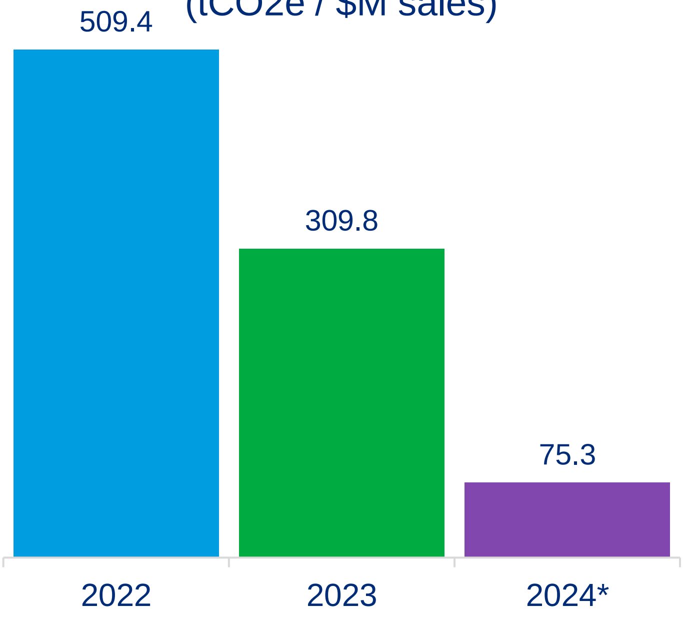
Absolute Emissions
(tCO2e)



Carbon Footprint
(tCO2e / $M invested)



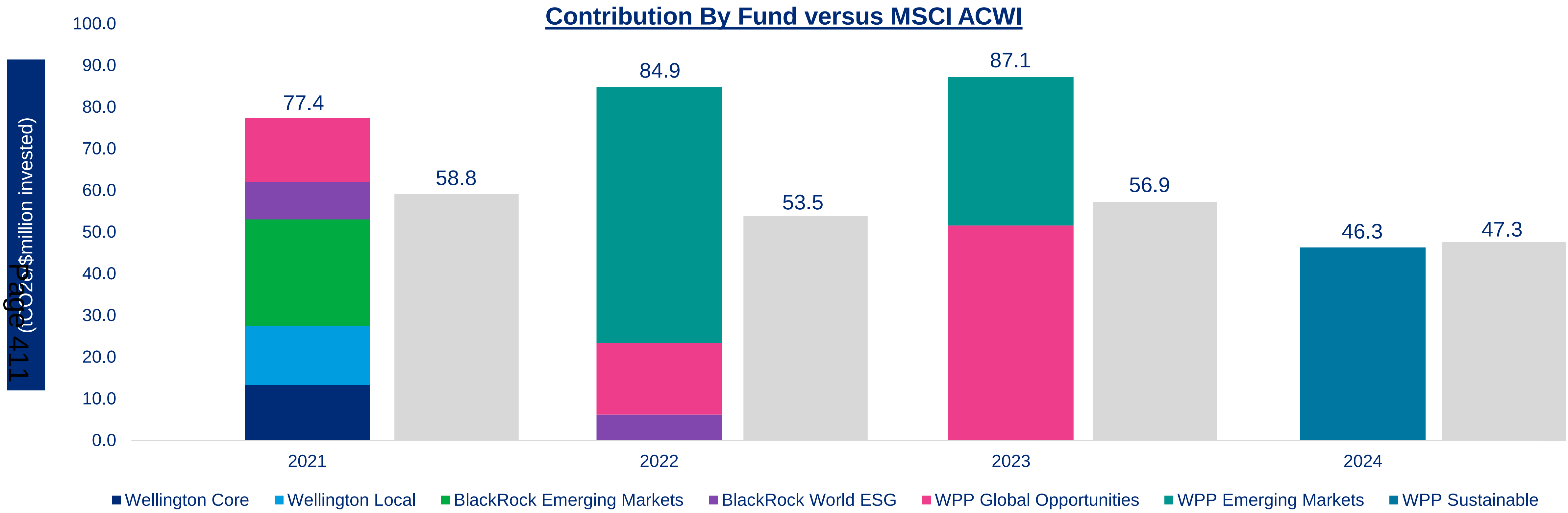
WACI
(tCO2e / $M sales)



Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.
*The total for 2024 includes the allocation to the NB US Equity Put Writing Strategy.

Decarbonisation Pathway: 2021 - 2024

What has driven the change to the Listed Equity Carbon Footprint (Scope 1 +2)?



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Understanding what has driven change in carbon footprint (Scope 1 + 2)

- **The Fund's Listed Equity portfolio decarbonised by c.40.2% from 2021 to 2024,** as compared to a c.19.6% decarbonisation seen for MSCI ACWI over the period**.** Moreover, the carbon footprint of the equity portfolio was 31.6% higher than the MSCI ACWI's carbon footprint in 2021 and is now 2.1% lower.
- During the four-year period, there have been changes in the investment strategy. In 2024, the Listed Equity portfolio is composed of a single mandate (WPP SAE) which is more carbon efficient than all other previously held mandates (except for BlackRock World ESG).

Climate metrics dashboard

Scope 1 and 2 emissions – listed equity and corporate bonds

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions (tCO2e)		Implied Temperature Rise (ºC)		SBTi	Allocation Weight
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed equity	WPP Sustainable Active Equity	**69.1**	96.4%	**46.3**	96.4%	**21,710**	96.4%	**2.2°C**	96.4%	**59.1%**	15.0%
Corporate bonds	WPP Multi-Asset Credit*	**262.9**	57.4%	**142.7**	48.1%	**20,897**	48.1%	**2.9°C**	53.2%	**12.3%**	4.7%
Total equity and corp. bonds (ex.TAA)		**115.2**	**87.1%**	**69.2**	**84.9%**	**42,607**	**84.9%**	**2.4°C**	**86.1%**	**48.0%**	**19.7%**
Tactical Allocation	Blackrock US Opportunities	**139.7**	94.3%	**62.7**	94.3%	**2,312**	94.3%	**2.4°C**	93.7%	**34.6%**	1.2%
	LGIM FW Japanese Equity	**41.7**	98.6%	**24.7**	98.6%	**1,580**	98.6%	**2.1°C**	98.6%	**57.6%**	2.0%
	LGIM FW North America Equity	**55.2**	98.4%	**13.9**	98.4%	**539**	98.4%	**2.3°C**	98.4%	**50.0%**	1.2%
	Insight Buy & Maintain	**89.8**	71.1%	**53.3**	50.2%	**2,740**	50.2%	**1.9°C**	63.9%	**27.2%**	1.6%
	Insight Maturing Buy & Maintain	**56.5**	80.6%	**29.7**	61.1%	**591**	61.1%	**2.0°C**	77.7%	**33.6%**	0.6%
	Total TAA (physical)	**74.4**	**89.4%**	**36.8**	**82.5%**	**7,761**	**82.5%**	**2.1°C**	**87.3%**	**42.5%**	**6.7%**
	NB US Equity Put Writing Strategy**	**92.3**	99.9%	**28.5**	99.9%	**330**	99.9%	**2.7°C**	99.9%	**45.8%**	1.1%
Total TAA (physical plus derivatives)		**75.3**	**90.0%**	**36.4**	**83.4%**	**8,091**	**83.4%**	**2.1°C**	**87.9%**	**42.6%**	**7.8%**
Synthetic Equity	RMF Synthetic Equity***	**82.1**	99.9%	**29.8**	99.9%	**-**	-	**2.3°C**	99.9%	**53.4%**	-
Benchmark	MSCI ACWI	**117.6**	99.7%	**47.3**	99.6%	**-**	-	**2.6°C**	99.8%	**43.7%**	-

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate. Where mandates are synthetic, the allocation weight represents the market value of exposure. *Considering only the allocation to corporate bonds within the WPP Multi-Asset Credit (c.39.0% of the total mandate's allocation).**Metrics for the NB US Equity Put Writing Strategy calculated following IIGCC guidance. WACI and CF reflect the metrics for S&P500. Absolute Emissions are calculated as follows: S&P500 CF * NB Strategy Delta Adjusted Notional Value. ***RMF Synthetic Equity composed of: 30% Euro Stoxx 50 Index, and 70% S&P 500 Index.

Climate Dashboard

In line/Ahead of MSCI ACWI — Behind MSCI ACWI

(Listed equity only)

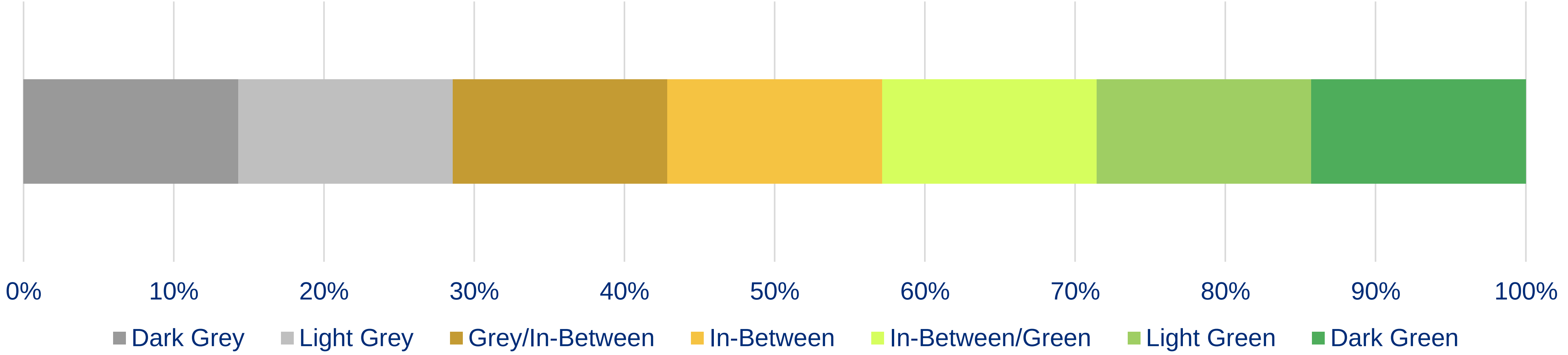
The "dashboard" below outlines the key metrics in relation to the Fund's climate and engagement assessment across the listed portfolios. Further details are provided in the later sections of this report.

		CLIMATE STRATEGY EVALUATION			ALIGNMENT				ENGAGEMENT		Green Revenues	
		Carbon footprint (tCO2e/$m) - Scope 1 and 2			ACT		Alignment		IIGCC Target alignment of 70% Material Sectors*** Aligned or Under engagement		EU Taxonomy	
Asset Class	Mandate	Decarb. progress since baseline	12 month decarb. progress	March 2024 Carbon Footprint	Green Assets % Mkt Value	Dark Grey % Mkt Value	Implied Temperature Rise (ºC)*	SBTi**	% of emissions derived from Material Sectors	% mat sectors aligned or engaged	Revenue contribution to Climate Mitigation	Revenue contribution to Climate Adaptation
Listed Equity	WPP Sustainable Active Equity	-40.2%	-46.9%	46.3	28.1%	0.0%	2.2ºC	59.1%	79.7%	52.9%	7.2%	0.4%
MSCI ACWI		-19.3%	-16.9%	47.3	18.8%	0.6%	2.6ºC	43.7%	81.1%	65.4%	7.2%	0.1%
Corporate bonds	WPP Multi-Asset Credit	-	-23.9%	142.7	6.8%	1.1%	2.9ºC	12.3%	35.6%	41.2%	1.5%	0.3%
Total TAA (physical)		-	-69.0%	36.8	17.7%	0.5%	2.1ºC	42.5%	-	-	6.7%	0.4%
Total TAA (physical plus derivatives) ****		-	-	36.4	17.9%	0.5%	2.1ºC	42.6%	-	-	6.8%	0.4%

*ITR aggregation methodology has improved over the year, rendering year on year comparison unfair. Values for prior years have therefore been excluded from this table.** This metric measures the proportion of companies in the portfolio with one or more active carbon emissions reduction target/s approved by the Science Based Targets Initiative (SBTi). ***Sectors are defined as material in line with IIGCC's classification, that sets out the most material sectors from an owned-carbon emissions standpoint, please note colour coding for this factor is according to IIGCC Target alignment of 70% Material Sectors Aligned or Under engagement (in line with the classification criteria of the Paris Aligned Investment Initiative (PAII)'s Net Zero Investment Framework (NZIF). ****Includes metrics for the NB US Equity Put Writing Strategy, which have been calculated following IIGCC guidance: all metrics reflect the metrics for S&P500.

The ACT spectrum

- The ACT spectrum provides an indication of climate transition capacity across the portfolio.



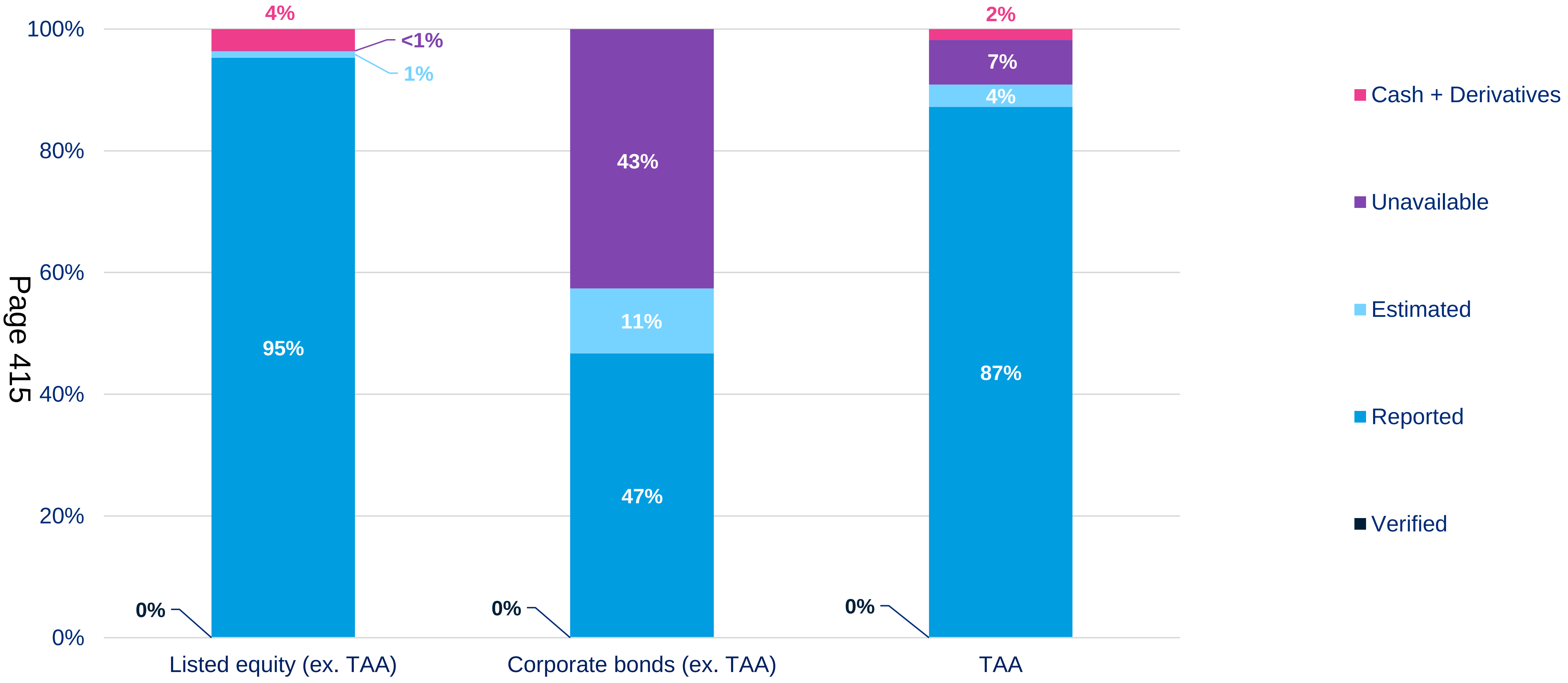
Grey Area	In-Between Area	Green Area
High Carbon Intensity	Varied Carbon Intensity	Low Carbon Intensity
Low Transition Potential	Varied Transition Potential	High Transition Potential

Not aligned with the low-carbon transition

Well aligned with the low-carbon transition

Data quality

Scope 1 and 2 emissions – assessment by asset class (listed portfolio and TAA)



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Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. More detail on the data quality metric is provided in the Appendix.

Appendix

Definitions for the different Scopes of Greenhouse Gas Emissions

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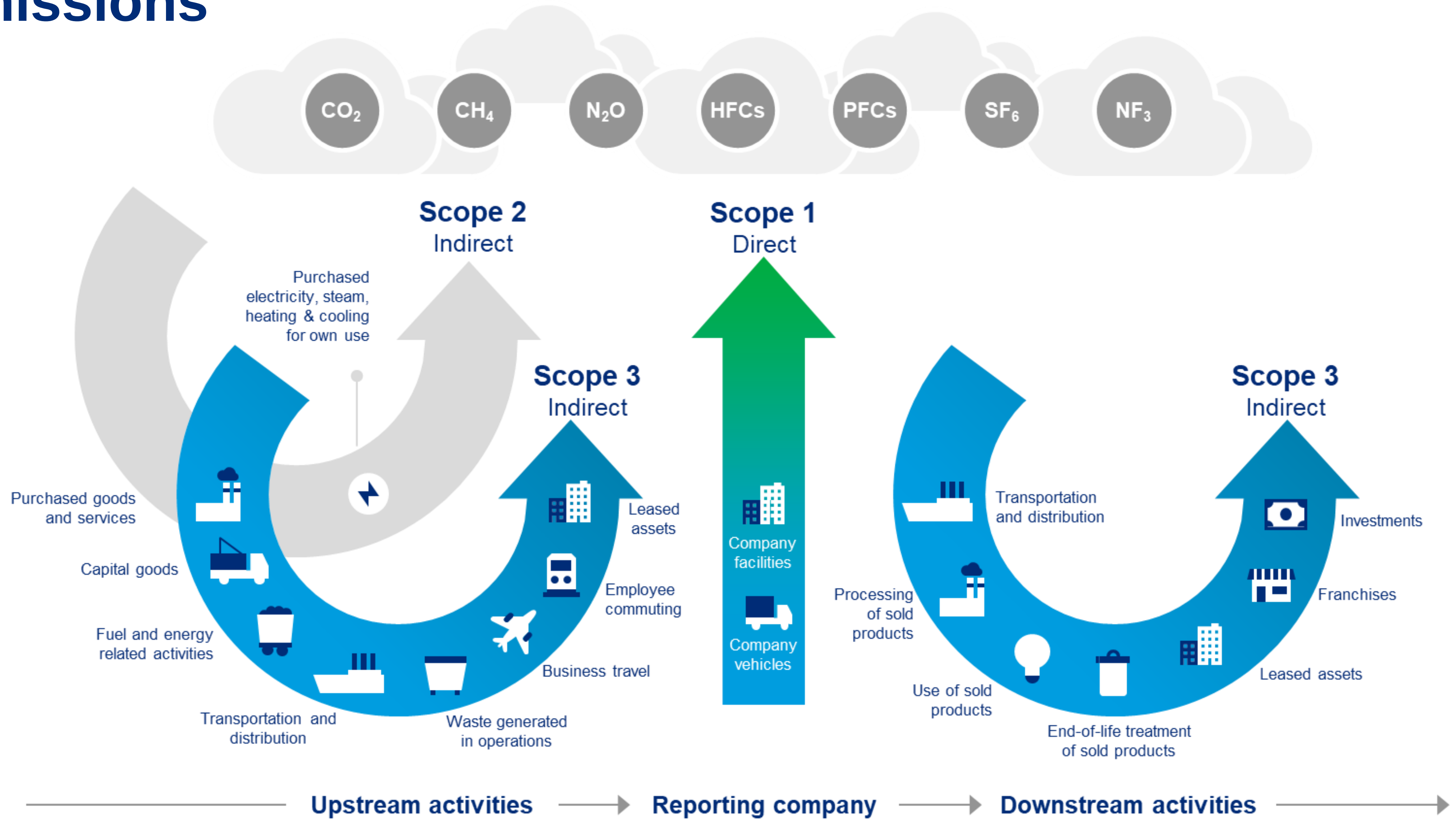

Emissions Intensity – Carbon Footprint

$$\textbf{Carbon Footprint:}\quad \frac{\text{Investor Absolute Emissions associated with a portfolio}}{\text{\$M invested in that portfolio}} = \text{Portfolio Carbon Footprint (tons } CO_2 \text{ equivalent / \$million investment)}$$

Answers how carbon efficient each portfolio is e.g. how many tons of carbon is associated with each $M invested in each portfolio?

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- As an intensity metric it is a useful comparator across asset classes/portfolios and/or as compared with a benchmark on an ‘apples to apples’ basis.
- Allows for portfolio decomposition and attribution analysis.
- By normalising absolute emissions by the $M invested this metrics retains the direct link with real world emissions but avoids the drawbacks of the Absolute Emissions Metrics.

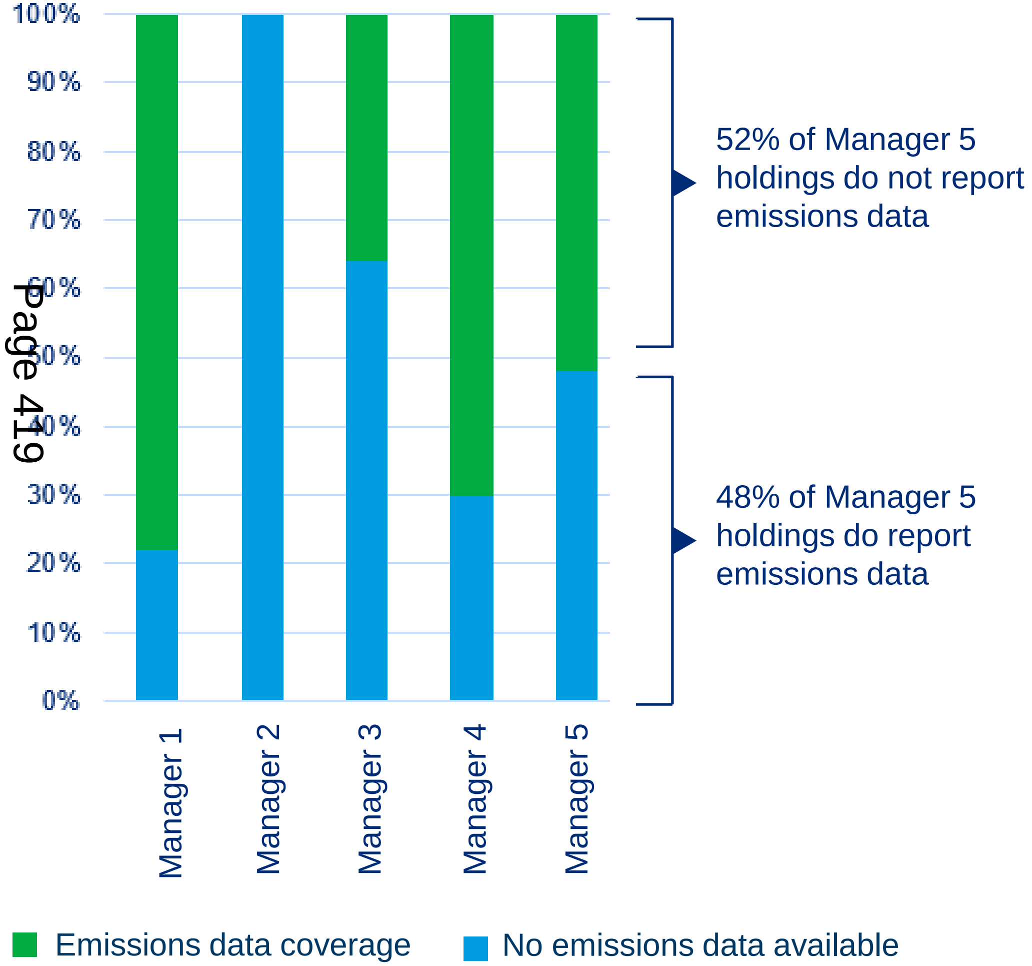
- Backward looking, so does not take into account future trajectory of underlying investee companies / assets

Carbon footprint is the primary metric used for decarbonisation monitoring

Methodology

Data Coverage and Scaling

Absolute Emissions Coverage



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Many of the mandates do not have complete coverage of emissions data; this may be because some companies do not yet measure and report their emissions.

We don't recommend for absolute emissions you only report a figure covering the % of the portfolio that there is coverage for. This essentially assumes 0 emissions for the portion of the portfolio for which there is no coverage.

Therefore the portion of the portfolio for which there is coverage is scaled up, to estimate an absolute emissions figure to cover 100% of the portfolio.

Example calculation :

Manager 5's absolute emissions for 48% covered holdings = 9,746 tons CO_2e

Scaling up emissions calculation = 9,746 / 48%

Absolute emissions estimated for 100% coverage = 20,303 tons CO_2e

Mercer

Overview of corporate metrics

This overview sets out various metrics related to the greenhouse gas (GHG) emissions attributable to the Fund's listed equity and corporate bond mandates. The metrics contained in this report are calculated using MSCI data, with portfolio stocklists sourced directly from the investment managers. The ACT assessment also makes use of data from ISS and, for sovereign bonds, IRENA.

Listed assets (equity and corporate bonds)		
Emissions metrics	**Metric expressed as**	**Description**
Weighted Average Carbon Intensity (WACI)	tCO2e / $million sales	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by sales. It seeks to answer how carbon intensive the companies in the portfolio are.
Carbon Footprint	tCO2e / $million invested	Total GHG emissions figure normalised to take account of the size of the investment made. It seeks to answer how carbon intensive parts of the portfolio are.
Absolute Emissions	Total GHG emissions: metric tons of CO2 and equivalents (tCO2e)	Calculates an investor's share of the total emissions for each company/holding. It seeks to answer what emissions the investor is responsible for.
Alignment metrics	**Metric expressed as**	**Description**
Implied Temperature Rise (ITR)	Expressed as ºC	Prediction of temperature rise scenario over the rest of the century, given a company's emissions, commitments, and momentum. Shows how companies/portfolios compare to the 1.5ºC Paris agreement temperature rise goal.
SBTi	Percentage of portfolio with SBTi targets	A measure of how many companies in a portfolio have submitted climate transition plans that have been approved by the Science Based Targets Initiative (SBTi).
Non-emissions metrics	**Metric expressed as**	**Description**
Data Quality	Percentage of portfolio which is either verified, reported, estimated or unavailable	Classifies each mandate's company/holding data as one of the following four categories: Verified, Reported, Estimated, and Unavailable. Additional categories account for the remainder of the portfolio that is not included in the data quality analysis due to being cash or derivatives.

Limitations of the analysis

- The decarbonisation analysis focuses on the listed equities portfolio. Emissions metrics and decarbonisation targets used in this report are in respect of all greenhouse gases covered by the Kyoto Protocol and are expressed in terms of carbon dioxide equivalents (CO_2e) – the amount of CO_2 which would have the equivalent global warming impact. While different greenhouse gases are expected to have different net-zero dates under a 1.5°C aligned outcome, CO_2 pathways target a 2050 net-zero end point and this end point has been adopted in this instance.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for. This means that, where we do not have data, we are not assuming that those companies have zero emissions.
- The focus of the decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will seek to integrate Scope 3 emissions as methodologies improve. Decarbonisation progress is shown using the carbon footprint metric set out in this report. A fuller picture of progress can be provided by tracking progress against further metrics, such as on an absolute emissions and WACI basis, given limitations associated with relying on a single climate metric.
- Many of the IPCC's scenarios are reliant on net-zero (or net-negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net-zero emissions in due course, as the science and technology evolves.
- Scope 3 emissions for listed equities and corporate bonds are calculated using estimated data due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures across different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. MSCI estimates emissions across each of the 15 categories using a combination of revenue estimates and production data. Using MSCI estimated scope 3 data only ensures that data is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved.
- In respect of verified data as part of the data quality output, this is in line with the PCAF definition. It refers to reported emissions being calculated in line with the GHG Protocol and verified by a third-party auditor. Very limited verified data is currently available, which highlights the difficulty in obtaining data approved by independent third-parties. It will be useful to keep track of this metric over time.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 27 November 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 September 2024 Committee, including:

- a review of all measures and monitoring requirements included within the Funds' various governance related policies and strategies
- progress against the governance section of the Fund's Business Plan
- governance-related developments at national and Fund level, including updates from the LGPS Scheme Advisory Board on fiduciary duty, lobbying and holding investments linked to the ongoing situation in the Middle East
- 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.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	**Business Plan Update** 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 Q3 are behind schedule or have been deferred to Q4. This is largely due to a material amount of officers' time being taken up with the HMT Pensions Review call for evidence and the desire to wait for any new guidance or legislation to be issued prior to updating key policies. The key points to note are as follows: • *G1 – Succession planning:* We are working with the Council to implement the new Management Structure approved by Committee in June with the process expected to be completed prior to the year end. • *G2 – Governance arrangements:* Work is ongoing regarding the remit and potential consolidation of the sub-groups that support the Fund's Advisory Panel and a proposed route forward will be brought to Committee in February or March 2025. • *G4 – Implement regulatory and guidance changes:* As the HMT Pensions Review continues, it is still not clear when we might expect the changes to regulations and guidance that were expected (i.e. Good Governance and pooling). These may now form part of the HMT Pensions Review including a consultation before Christmas (see separate report on this) that will provide greater clarity for business planning purposes. The LGPS Scheme Advisory Board is also now working on updating guidance in relation to areas such as knowledge and skills as recommended by the Good Governance review. The business plan will be updated once there is greater clarity on expectations and timescales. • *G5 – Review of governance related policies:* The Knowledge and Skills Policy review has been delayed further to Q4 as we are hoping to incorporate the recommendations from Good Governance project. Once there is greater clarity on the Good Governance changes' timescales, the approach to and timescales to carry out this review will be reconsidered. • *G6 – Review/tender key supplier contracts and Procurement Act changes* The tender for the independent adviser services is near completion and approval on the preferred adviser is sought from the Committee in a separate report, as well as extension to the actuarial and benefits consultancy contract. • *G7 – Appointments of Local Pension Board and Pension Fund Committee Members* The new scheme member (trade union) representative has been appointed (Mrs Tracey Sutton-Postlethwaite) and the Board was at full complement for the 3 October meeting. The scheme member (non-trade union) representative's term ends in February 2025, and a message about this position and the application process has been

	advertised to scheme members via the website and newsletters. As set out within the Pension Board protocol, the appointment process is delegated to the Head of Clwyd Pension Fund. • *G8 – WPP Governance arrangements* A workshop with the Committee and Board on WPP's governance arrangements will take place after the Committee meeting with a plan to take any suggestions to the WPP after that discussion.
	Current Developments and News
1.02	*Pension Board meetings* The last meeting of Pension Board was held on 3 October 2024 and the draft minutes are attached in Appendix 2. Key topics for discussion included the preparation and external audit of the Annual Report and Accounts, the HMT Pensions Review, accommodation changes, progress by the Administration Team with the McCloud and National Pensions Dashboard projects and an update on the Chair of the Pension Board's meeting with the Flintshire County Council Chief Executive. The next Board meeting is on 17 January 2025.
1.03	*LGPS Scheme Advisory Board (SAB) updates* *SAB Meetings* As discussed in the September governance update. The LGPS SAB met on 22 July 2024. The meeting summary is now available and attached at Appendix 3. The date of the next SAB meeting is 25 November 2024. *Counsel opinion on the LGPS and implications of the current events concerning Gaza* As circulated as part of an email to the Committee and Board on 7 November, the SAB has been made aware of a number of examples where LGPS administering authorities have received letters alleging that they are acting unlawfully by holding and failing to divest from investments which have been linked to the ongoing situation in the Middle East. The SAB has commissioned Council advice on behalf of the LGPS specifically on the allegation that funds might face future criminal action by the International Court of Justice or within the UK under the Terrorism Act 2000 or the International Criminal Court Act 2001, as a result of holding such investments. The SAB hope the advice assists funds in responding to any queries that are raised around this point, but note that the Council advice is limited to whether there is a criminal liability in holding these investments and does not provide guidance on whether it is appropriate for Funds to choose to divest. Purely on the point being considered around the legality of holding such investments, our summary of the conclusion is that it does not appear

	likely that any such legal action would be successful. A separate report to this Committee provides information about investments currently held by the Fund, so the Committee can consider whether any action should be taken in relation to these. *SAB Statement on Fiduciary Duty and Lobbying* Closely linked to this, as circulated by email to the Committee and Board on 19 September, the Scheme Advisory Board has published a statement addressing the growing queries about LGPS fund investments. In addition, the Secretariat is seeking legal advice on whether the previous guidance on fiduciary duty for administering authorities needs updating. *Letter to MHCLG on Shared Cost Additional Pension Contributions* As a result of work carried out by the SAB's Pensions Gap working group, the Board Secretariat has written to MHCLG to request a review of the regulations and actuarial factors for Shared Cost Additional Pension Contributions (SCAPCs). as there is a concern that the current rules may disadvantage members who take unpaid leave for caring responsibilities (predominantly female workers), and the letter seeks clearer, more flexible options for buying back pension during such leave.
1.04	*Annual Review of Objective Measures for Governance Related Policies/Strategies* Within the Fund's strategies and policies, there are a number of measures to illustrate whether the Fund's objectives in those areas are being achieved. Many of these measures are included in the Committee's quarterly updates (such as training attendance and key performance indicators) and also in the Annual Report and Accounts. However there are some within the Fund's various governance related policies which are not regularly reported. These additional measures are reported to the Committee on an annual basis as part of the Governance Update report to provide transparency that all measures are being considered. Appendix 4 includes a list of the measures in the governance related policies and the outcomes relating to them in relation to 2023/24 (or the current situation if appropriate). In summary, the Fund is fully compliant in most areas, and we expect the areas where the Fund is partially compliant to be resolved shortly. There are three areas of non-compliance: • The Pension Board report must include an item on conflicts of interest – A more explicit statement will be included in the 2024/25 annual report • There has not yet been a test of the Fund's cyber security incident response plan or Fund's business continuity plan It is expected that these areas will be completed during 2024/25.

1.05 *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%)
Governance and national developments	Sep 24	7 (78%)	3 (75%)	5 (83%)
Total		**(78%)**	**(63%)**	**(82%)**

Non-essential, general awareness training attended by Committee and Board members since the last update includes the WPP Quarter 2 training on WPP Policies on 18th October.

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:

- WPP training – Responsible investment - 28 November 2024 (9.30am to 12 noon).
- LGA Annual Governance Conference Bournemouth – 30 January 2025

	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. • 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). • Training topic to be confirmed – 18 June 2025 (pm).
1.06	*Recording and Reporting Breaches Procedure* The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 5 details the current breaches that have been identified. There was one new administration breach relating to the overpayment of a member, which was previously highlighted to the Committee via email and the delegation relating to this is included in the Administration and Communications Update report.
1.07	**Delegated Responsibilities** The Pension Fund Committee have delegated a number of responsibilities to officers or the Chair/Vice-Chair. Since the last update report, the only governance matter where the delegated powers have been used relates to the approval of an increase in the budget to allow the Fund officers to enter into a lease for new accommodation to house the Clwyd Pension Fund team. Appendix 7 includes the delegation form relating to this matter for information.
1.8	**Calendar of Future Events** Appendix 8 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings and training dates. The next Committee dates, confirmed at the May Annual General Meeting, are as follows (all morning meetings starting at 9:30am): 19 February 2025 19 March 2025 18 June 2025

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 9 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 September.
4.02	The main changes to the governance risks are as follows: • Risk 9 (unable to adequately/appropriately implement governance changes – external) has been updated to increase both the likelihood and impact by one respectively as a result of the Pension Review consultation. This risk now has a risk score of 12 which categorises it as “Red”. This has been escalated appropriately. In addition a new action has been added to agree a plan of action with AP the Committee and FCC (if required). • In relation to other risks, various actions have been updated to reflect those now completed. • A new action has been added to Risk 1 (Committee decision-making is inappropriate) to consider / implement ways to encourage continuity of PFC membership.
4.03	The increase to Risk 9 means that this is now the risk that is furthest from target. Given the length and depth of the consultation the complete risk register will reviewed again once the consultation has been considered in more detail. As part of this review all risks will be considered and we expect that some others will increase in score.

5.00	APPENDICES
5.01	Appendix 1 - Business plan update for governance tasks Appendix 2 - Pension board meeting minutes Appendix 3 - SAB Meetings – Summary of 22 July 2024 meeting Appendix 4 - Objective measures for governance related policies Appendix 5 - Training plan Appendix 6 - Breaches log Appendix 7 – Delegation form relating to accommodation Appendix 8 - Calendar of future events Appendix 9 - Risk Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee - 2024/25 Business Plan (March 2024 and June 2024) Full hyperlinks for referred to information: • Council's advice on the implications of the current situation in the Middle East: https://lgpsboard.org/images/LegalAdviceandSummaries/Oct2024_LGA_LGPSGazaeventsopinion_from_Nigel_Giffin_KC.pdf • SAB Statement on Fiduciary Duty and dealing with lobbying: https://lgpsboard.org/images/Other/SAB_Statement_Fiduciary_Duty_Lobbying_Sept2024.pdf • Letter to MHCLG on Shared Cost Additional Pension Contributions: https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Teresa%20Clay%20-%20SCAPC%20Factors.pdf **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

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

	(f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC. (g) **MHCLG – Ministry of Housing, Communities and Local Government** – the government department responsible for the LGPS legislation. (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement. (i) **CIPFA – Chartered Institute of Public Finance and Accountancy -** a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management. (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice. (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement. **(l) HMT – His Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made

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Business Plan 2024/25 to 2026/27 – Q3 Update

Governance

Cashflow Projections

	2022/23 £000s	2023/24 £000s	2024/25 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/ over
Opening Cash	**(79,645)**	**(98,282)**	**(37,092)**	**(37,092)**		
Payments						
Pensions	70,660	78,522	85,280	42,670	85,340	60
Lump Sums & Death Grants	17,183	18,457	16,000	11,929	21,472	5,472
Transfers Out	5,974	5,667	4,000	2,914	5,828	1,828
Expenses	6,128	6,112	6,864	3,050	6,100	(764)
Tax Paid	111	78	100	0	93	(7)
Support Services	131	151	113	0	113	0
Total Payments	100,187	108,987	112,357	60,563	118,946	6,589
Income						
Employer Contributions	(56,977)	(67,043)	(68,000)	(33,576)	(68,159)	(159)
Employee Contributions	(20,070)	(21,641)	(22,000)	(11,031)	(22,393)	(393)
Employer Deficit Payments	(14,889)	8,723	9,200	5,185	9,420	220
Transfers In	(6,245)	(5,513)	(6,000)	(4,244)	(7,427)	(1,427)
Pension Strain	(670)	(340)	(600)	(874)	(1,748)	(1,148)
Income	(479)	(957)	(200)	(661)	(1,157)	(957)
Total Income	(99,330)	(86,771)	(87,600)	(45,201)	(91,464)	(3,864)
Cashflow Net of Investment Income	857	22,216	24,757	15,362	27,482	2,725
Investment Income	(12,130)	(18,329)	(25,000)	(18,380)	(33,084)	(8,084)
Investment Expenses	6,999	8,733	8,000	5,962	10,732	2,732
Total Net of In House Investments	(4,274)	12,620	7,757	2,944	5,130	(2,627)
In House Investments						
Draw downs	82,865	136,781	177,110	66,608	172,608	(4,502)
Distributions	(91,626)	(63,534)	(79,400)	(26,942)	(64,042)	15,358
Net Expenditure /(Income)	(8,761)	73,247	97,710	39,666	108,566	10,856
Total Net Cash Flow	(13,035)	85,867	105,467	42,610	113,696	8,229
Rebalancing Portfolio	(5,602)	(24,677)	(105,000)	(82,000)	(120,000)	(15,000)
Total Cash Flow	(18,637)	61,190	467	(39,390)	(6,304)	(6,771)
Closing Cash	**(98,282)**	**(37,092)**	**(36,625)**	**(76,482)**	**(43,396)**	

Operating Costs

	2022/23 £000s	2023/24 £000s	2024/25 £000's			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/ over
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	281	366	442	**183**	**381**	(61)
Support & Services Costs (Internal Recharges)	18	22	15	**0**	**15**	0
Other Supplies & Services)	64	96	78	**(235)**	**63**	(15)
Training			86	**32**	**86**	0
Audit Fees	47	46	45	**(5)**	**50**	5
Actuarial Fees	926	567	835	**228**	**835**	0
Consultant Fees	1,548	1,222	1,230	**306**	**1,230**	0
Advisor Fees	586	684	629	**296**	**629**	0
Legal Fees	74	57	25	**22**	**41**	16
Pension Board	96	141	105	**44**	**105**	0
Pension Board Training			24	**8**	**24**	0
Pooling (Consultants & Host Authority)	163	228	218	**42**	**218**	0
Total Governance Expenses	3,803	3,429	3,732	**921**	**3,677**	(55)
Investment Management Expenses						
Fund Manager Fees*	21,298	25,506	23,068	**5,980**	**23,068**	0
Custody Fees	158	146	134	**10**	**134**	0
Performance Monitoring Fees	46	46	49	**14**	**49**	0
Wales Pension Partnership Investment Costs	930	1,077	1,187	**0**	**1,187**	0
Total Investment Management Expenses	22,432	26,775	24,438	**6,004**	**24,438**	0
Administration Expenses						
Employee Costs (Direct)	1,392	1,549	1,820	**795**	**1,654**	(166)
Support & Services Costs (Internal Recharges)	114	131	98	**0**	**98**	0
IT (Support & Services)	516	479	718	**554**	**614**	(104)
Other Supplies & Services)	125	101	146	**36**	**31**	(115)
Total Administration Expenses	2,147	2,260	2,782	**1,385**	**2,397**	(385)
Employer Liaison Team						
Employee Costs (Direct)	320	348	282	157	**327**	45
Total Costs	**28,702**	**32,812**	**31,234**	**8,467**	**30,839**	**(395)**

Key tasks

Key:

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

Governance Tasks

Ref	Key Action: Task	2024/25 Period				Later Years	
		Q1	Q2	Q3	Q4	2025/26	2026/27
G1	Succession planning	x	x	x	x		
G2	Governance arrangements	x	x	x	x		
G3	Compliance with TPR General Code	x	x	x	x	x	
G4	Implement regulatory and guidance changes (including Good Governance review)	~~x~~	~~x~~	~~x~~	x	x	
G5	Review of governance related policies	x	x		x	x	x
G6	Review/tender key supplier contracts and Procurement Act changes	x	x	x	x	x	
G7	Appointments of Local Pension Board and Pension Fund Committee Members		x	x	x	x	x
G8	WPP Governance Arrangements		~~x~~	x	x		

G1: Succession planning

What is it?

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

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

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

In order for us to continue to deliver excellent service and meet statutory requirements, suitable succession plans must be in place to ensure roles can be filled by individuals who have the appropriate level of expertise and skills. As part of this we will also develop a 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 Communities[1] (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	2024/2025 Q3 to Q4
Review Chair of the Pension Board	2024/2025 Q3 to Q4

Review Pension Board representatives (scheme member (trade union) and one scheme employer)	2025/2026
Review Pension Board scheme employer representative	2026/2027
Review Pension Fund Committee representative members (other scheme employers and scheme members)	2026/2027

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 2025/26 business planning.

Timescales and Stages

CPF discussion(s) on WPP governance arrangements	2024/25 Q2
Liaise with WPP (in advance of 2025/26 business planning)	2024/25 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 in person at County Hall on Thursday 3 October at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mrs Tracey Sutton Postlethwaite

Employer Representatives: Mr Steve Jackson, Mr Richard Weigh*

Apologies: None

*Mr Weigh left the meeting for 15 minutes during agenda item 9 and he returned at 13.16.

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)
Mrs Karen Williams (Pension Administration Manager)
Mr Dave Bateman* (Pension Fund Accountant)
Ms Morgan Nancarrow (Governance Administration Assistant)
Mrs Jennie Green (Aon, Independent Advisers)

*Attended for part of the meeting to present on agenda items 11 and 12.

	Actions
1. APOLOGIES/ WELCOME There were no apologies received prior to the meeting. The Chair welcomed Mrs Sutton Postlethwaite to her first Board meeting. Mrs Sutton Postlethwaite was nominated by the trade unions and has now been formally appointed as a Scheme Member Representative for a term of three years. The Chair outlined that some background will be provided for each agenda item. Everyone then introduced themselves to Mrs Sutton Postlethwaite.	

2. DECLARATIONS OF INTEREST

The Chair outlined Mrs Sutton Postlethwaite has completed the form and that no relevant conflicts of interest exist.

The Chair and Mrs Green confirmed they would leave the room for agenda item 21.

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 16 May 2024 were confirmed as a correct record.

4. ACTION TRACKER

The contents of the Action Tracker were discussed. The Chair highlighted action 137 as she is attending a Welsh Pension Board Chairs' engagement meeting on 8 October 2024, where she will raise questions regarding Wales Pensions Partnership (WPP)'s cyber security actions and future plans.

It was confirmed that Actions 143 and 144 were to be covered as part of agenda item 5.

ACTION:
The Chair will raise cyber security at the Welsh Pension Board Chairs' engagement meeting on 8 October 2024.

ACTION
Chair of Pension Board

5. OPERATIONAL AND GOVERNANCE UPDATE

The Chair gave an update following the meeting with the Chief Executive which took place on 11 September 2024. The main item discussed was lack of continuity of Pension Fund Committee membership and the risks associated with this. The Chair emphasised the fiduciary responsibilities which are highlighted within the Scheme Advisory Board's fiduciary responsibility statement published on 17 September. This is a reminder that decision making has to be driven by fiduciary duty, and where non-financial matters are being considered in relation to investments, the committee has to be confident that their views are being held by the majority of scheme members. The main outcome from this discussion was to propose updates be made to the Constitution to support Committee continuity, including noting the business is apolitical. These Constitution changes are expected to be proposed early in the new year when wider national requirements relating to Good Governance may be known.

Mr Jackson noted he felt the Pension Fund Committee's framework for decision making was helpful and the Committee were generally good at focussing on fiduciary duty, but he recognised changes to the Committee membership can pose a risk.

Mrs E Williams commented on the diverse age profile of the Fund's membership and the challenges when assessing what members want. The Chair agreed with this view and mentioned we can ask members their views but there are still challenges with a small number of views being received then potentially misrepresenting the overall membership.

Mrs K Williams then provided an update on the Clwyd Pension Fund's office accommodation as follows:

- The accommodation the wider Council is relocating to is not suitable for the Clwyd Pension Fund's needs, so alternative accommodation has been identified which is the officers' preferred option. The costs of the new accommodation are still being discussed. It is expected that a report will be taken to the next Committee meeting on 27 November 2024.

- Mr Weigh asked about the additional costs and Mrs K Williams provided the current recharge from Flintshire County Council, and the estimated costs for the preferred new accommodation.

- Mr Weigh also asked about current working arrangements and how often staff attend the office. Mrs K Williams confirmed there are approximately 50 members of staff and around 25 desks and expectations are all staff attend the office a minimum of one day a week with many attending more frequently.

Mrs K Williams then provided an update on the implementation of the new management structure and staffing in general, following the Deputy Head of Clwyd Pension Fund retiring in July, which was as follows:

- The creation of job descriptions for the new roles, which include distributing the Deputy Head's responsibilities, is underway.

- This also includes the creation of the job description for the new Governance Officer role, which is in addition to the existing Governance Assistant role.

- In terms of the wider team, there has been an increase in staff turnover with several staff accepting alternative employment where they can work fully remotely. These roles have also offered more competitive pay rates despite them having less experience and responsibility. Mrs K Williams emphasised she felt the biggest driver for accepting alternative employment related to the pay incentive rather than the remote working arrangements.

- Mrs K Williams also outlined that an experienced administration team leader is retiring in March 2025. However, this position has been filled with the new candidate joining in December – allowing for a handover period.

- Wider succession planning is also regularly discussed due to the age demographics and experience of a number of staff. Also, the apprenticeship route has generally been very positive with a number of apprentices then been successful in internal promotions.

The Chair then confirmed that a pay benchmarking exercise is also being undertaken to help address some of these retention concerns.

6. THE PENSIONS REGULATOR'S (TPR) GENERAL CODE OF PRACTICE (standard item)

After providing an introductory background of the TPR's General Code, Mrs Green provided an update on the Clwyd Pension Fund's development of a detailed action list to monitor compliance against the Code's requirements.

Mrs Green reminded Board members that the Fund's officers are assessing themselves on all areas of the Code, including those which are best practice areas, and have assigned themselves a Red, Amber, Green (RAG) score to each of the questions within the compliance tool. There is a strong focus throughout the Code on having in place appropriate internal controls which are documented, and areas have only been scored green where there is sufficient documentation in place. Therefore, a number of actions within the log relate to documenting processes and procedures, even though a process or procedure is being carried out.

Mrs Green also emphasised whilst on the face of it, the action list is extensive, not all the areas are brand new actions arising from this compliance assessment; many are initiatives already being developed as part of other work officers are doing or are covered as part of the Fund’s business plan.

The action list is intended to be a working document used by officers to help prioritise actions and track progress against them. Each action has therefore been assigned either a short, medium or long term status – as agreed with officers.

Mrs Green also highlighted existing TPR guidance (such as pension scams) – and the Code reinforces these requirements and the Fund therefore aims to be compliant in these areas too.

Mr Weigh asked if there are any essential areas not compliant which are a concern and what TPR’s enforcement action could be. The Chair stated there were no immediate areas of concern but TPR do have powers to do their own investigations, and enforcement action can include fines or other sanctions if they had any concerns. Mrs Green emphasised that TPR would expect to see an action plan in place to cover how areas of non-compliance were being addressed.

7. CYBER RISK AND BUSINESS CONTINUITY (standard item)

Mrs K Williams provided an update that the Business Continuity Plan has been updated to remove the Deputy Head of Fund and a session has been held with the team so they all are aware of and understand their roles and responsibilities. The next step is for Mrs K Williams to update Mr P Latham and for testing to be carried out which will be supported by Aon as the Fund’s Governance Advisors.

The Chair noted that the Fund are well progressed with cyber security initiatives when compared to many other LGPS funds Aon have worked with.

8. ADMINISTRATION UPDATE (standard item)

Pension Dashboards
Mrs K Williams gave an update on Pension Dashboards and shared several slides illustrating what dashboards are and how they will operate. A key activity which is underway is for Clwyd Pension Fund to appoint an Integrated Service Provider (ISP) which sits between the dashboard and the administration system. The intention is to appoint the existing software provider as the ISP and to do this via a direct award from the national LGPS framework.

Mrs K Williams also emphasised that at the June 2024 meeting the Pension Fund Committee has delegated key dashboard decisions to officers. As well as the ISP appointment being a key decision, a further decision relates to the matching criteria which will be used to determine if a member logging on to a dashboard has a match with Clwyd Pension Fund data. Mrs K Williams then outlined the government timetable for dashboards with all LGPS funds needing to connect to dashboards by 31 October 2025. However, it is not yet known when dashboards are expected to be available to the public but current indications are that this is likely to be in early 2026.

Mrs E Williams commented on the complexities in matching individuals who may have the same names and dates of birth.

Mr Jackson expressed his support for appointing the current software provider as the ISP given the tight timescales and the information provided by Mrs K Williams.

Pension Scams
Mrs K Williams stated there are no pension scams to report to the Board.

McCloud
Mrs K Williams provided some background to what McCloud is and the work needed to meet legislative requirements which has resulted in needing to collect part time hours data from employers going back to 1 April 2014 due to an age discrimination ruling. Approximately 75% of the data has been uploaded to the administration system and the remaining data is being validated by the team but the updates need to be done manually. This is impacting on the Business As Usual (BAU) team who perform the core member calculations where data isn't on the system as this then needs to be done on a case by case basis. This is resulting in some longer processing times which is impacting on the Fund's key performance indicators (KPIs). A solution was discussed at the administration managers' meeting on 2 October where it was agreed to carry out some further testing later this month on moving onto the next stage of the project relating to the data already uploaded, and (temporarily) put a hold on the data upload

work. This should minimise the impact on BAU. If the testing of this approach is successful, a recommendation will then need to be taken to the Programme Management Group for approval before it is moved forward.

Mr Jackson asked about cases where the Fund is not able to obtain the required data. Mrs K Williams explained that these cases will be dealt with in favour of the member and there is also guidance from the Scheme Advisory Board which will be followed.

The Chair emphasised the impact on BAU and the KPIs which had gradually been improving, noting that performance against a number of KPIs is likely to reduce in the short term.

Data improvement
Mrs K Williams provided an update that a Data Quality Policy is being developed in line with the current Business Plan and it is expected this will be shared with the Board in Q4 2024/25.

Compliments and Complaints

Mrs K Williams updated the Board on a member overpayment case. A recommendation on the approach to be taken has been put forward to the Pension Fund Committee using the urgency delegations (rather than waiting until the November meeting). Mrs K Williams also provided assurance that investigations have been carried out to identity if this is an isolated issue (which it is). Current procedures have also been amended which include increased monitoring and reconciliation reports to prevent a similar incident occurring in the future.

The Chair commented that this has been an extremely difficult and emotive situation for the scheme member, which Mrs K Williams had handled with sensitivity, care and professionalism throughout.

Telephony and communications

Mrs K Williams updated the Board that Flintshire County Council IT resource is currently focused on the wider office move, and therefore the improvements to the telephony system have been put on pause until the office moves are completed (expected to be in Spring 2025).

9. HMT PENSIONS REVIEW

Mr Latham provided an update as per the attachments in the meeting papers from page 59 onwards.

The background was provided which outlines there are two phases to the review. Phase one focuses on investments and phase two covers pensions inadequacy. It is not yet known if phase two applies to the LGPS.

There are four key areas to the phase one review (the first of which does not apply to the LGPS). However, the second part of phase one relates to '*tackling fragmentation and inefficiency in the LGPS*' through consolidation and improved governance'.

Mr Latham informed the Board a discussion on this area was had at the September Pension Fund Committee meeting and training session after the meeting. Various points were discussed including the number of pools and the number of funds within the UK. Mr Latham highlighted that in his view the focus should not be on whether investments are good or bad for the Fund, but rather remembering that investment decisions impact on scheme members and employers and this should be the focus. The Fund wrote to all employers suggesting they respond to the call for evidence which closed on 25 September 2024.

Mr Latham also updated the Board that he attended a meeting with the Minister on 2 October with officers from other Welsh funds where the WPP was discussed in detail. There are further meetings with the Minister (which Mr P Latham will be attending) to discuss this issue on 9 October (PLSA) and 10 October (Treasury and other Welsh colleagues).

The interim response to the call for evidence is expected later this year with the final response expected in Spring 2025 (with which it is expected a consultation will be published).

Mr Jackson noted his concern about forced investments and mandating pools' investments.

Mrs E Williams asked about the impact on smaller employers' contributions and the Chair noted poorer investment returns could impact all employers.

Mrs Sutton Postlethwaite noted she will discuss this with Unison to clarify their position (**ACTION** – Mrs Sutton Postlethwaite to provide an update). The Chair noted this would be particularly helpful in relation to understanding their views on consolidation, including the impact on administration.

ACTION
Mrs Sutton
Postlethwaite

Finally, the Chair highlighted the wider uncertainty this may be having within the teams and the potential impact on staff retention which will need to be monitored.

10. ASSET POOLING (Standard item)

The Chair highlighted the WPP Pension Board Chairs' engagement meeting on 8 October where it is expected there will be a focus on the Pensions Review.

Mr Latham noted that the engagement questionnaire that had been circulated had a very small number of responses.

11. ANNUAL REPORT GUIDANCE AND EXTERNAL AUDIT

The Chair welcomed Mr Bateman, the Fund's Accountant, to his first Board meeting. Mr Bateman started by outlining that the key headline is that the audit of the annual accounts is nearing completion and there are no major issues. However, there has been and continues to be a substantial number of queries from the audit team, and the responses have taken a considerable amount of Fund officers' time. The Chair also noted this was first year without the Deputy Head of Clwyd Pension Fund preparing the accounts, and so it has been a learning experience for Mr Bateman, Mr Hughes (the Graduate Investment Officer) and others involved with in the Clwyd Pension Fund Team. She also highlighted that this was the first year of new guidance on how the Annual Report should be set out, which is another factor.

Mr Bateman also provided an update on the Annual Report – this is in progress and a meeting with the chief auditor has taken place and it is not expected there will be any major issues.

Mr Bateman will continue to ask audit for progress updates and highlight the Pension Board's interest in the matter. However, it is expected that the 1 December deadline will be met with the final audited Annual Report and Accounts being taken to the 27 November Pension Fund Committee meeting.

Mr Jackson raised the suggestion of ensuring feedback is provided and Mr Latham confirmed there will be an opportunity to do this.

The Chair asked for a lessons' learnt report to be provided to the Board at the next meeting. Mr Latham suggested the possibility of audit attending a Board meeting to discuss any changes to the process for next year and the Board agreed this would be helpful.
ACTION – *Ms Nancarrow to add this to the future work plan.*

ACTION
Ms Nancarrow

The Chair concluded by thanking Mr Bateman and the other officers in the team for the extensive work undertaken in challenging circumstances.

12. PENSION BOARD BUDGET MONITORING (Standard item)

Mr Bateman talked through the Pension Fund budget and confirmed the costs are on track against the overall budget.

The Chair raised a question about the Board insurance which is included in the budget and annual declarations which need to be completed. No members were aware of this. **ACTION** - *it was agreed the Chair will investigate further.*

ACTION
Mrs McWilliam

13. RISK REGISTER (Standard item)

The Chair highlighted the June and September risk registers from the Pension Fund Committee meetings. The Chair also mentioned the new scoring based on the revised Council risk framework. There were no questions or comments.

14. BREACHES LOG (Standard item)

The Chair provided some background for Mrs Sutton-Postlethwaite and outlined that the Pension Regulator's expectation is that Funds have in place a breaches log to record where they are not meeting legal requirements.

The Chair suggested the overpayment case (discussed as part of agenda item 8) is added to the log. **ACTION** – *Mrs K Williams to add this to the breaches log*.

ACTION
Mrs K Williams

There were no further comments on the breaches log.

15. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS (Standard item)

There have been no events attended by Board members since the last Board meeting.

16. CONSIDERATION OF RECENT COMMITTEE PAPERS (standard item)

There have been two Committee meetings since the last Board meeting (June and September). The Chair highlighted the new approach of alternating a full update at each meeting between investments and administration/communications (an investment summary update was taken to June and an administration/communications summary update was taken to September). All Board members were satisfied with this new reporting method.

17. INPUT INTO ADVISORY PANEL AND CLWYD PENSION FUND COMMITTEE (standard item)

The Chair advised the next Advisory Panel is on 3 October and the next Clwyd Pension Fund Committee meeting is on 27 November. Administration priorities and resourcing will be on the agendas.

Mr Weigh highlighted that the call for evidence and the Annual Report and audit are likely to be key items for discussion and the Board agreed their concerns in these areas should be escalated to the Advisory Panel. **ACTION** – *Chair to ensure these matters are highlighted at Advisory Panel.*

ACTION
Chair of Pension Board

18. FUTURE WORK PLAN (Standard item)

The Chair provided an update that it is expected the HMT Pensions Review will be on all forthcoming meeting agendas.

Also the EDI action plan is progressing and it is hoped the checklist will be shared at the next meeting.

The Chair highlighted the review of Board effectiveness which is on the work plan for late 2024 and suggested given that Mrs Sutton Postlethwaite is new to the Board this is postponed until Summer/Autumn 2025. All Board members agreed and the workplan will be updated to reflect this change.

ACTION – *Ms Nancarrow to update work plan to incorporate these items.*

ACTION
Ms Nancarrow

19. FUTURE DATES
Future dates were noted including:

- Pension Board meeting dates:
  - Tuesday 3rd December 10am – 3:00pm
  - Tuesday 1st April 10am – 3:00pm

These were proposed as face-to-face meetings with hybrid facilities if available.

It was agreed to reschedule the 3rd December meeting to 17th January 2025 from 9.30am to 2.30pm, and the Chair will attend remotely for medical reasons.

- Committee dates
  - November 27th 2024
  - February 19th 2025
  - March 19th 2025
  - June 18th 2025

- Training and other upcoming events:
  - LGA fundamentals – October/November/December
  - CIPFA Pension Board event (London or hybrid) 21st November 2024
  - Annual Employer and Scheme Member Representatives meeting – 26th November 2024
  - Internal training scheduled on afternoons of PFC dates

Board members are encouraged to attend the LGA Fundamentals training and Mrs Sutton Postlethwaite expressed interest. **ACTION** - *Ms Nancarrow will send the details to Mrs Sutton Postlethwaite.*

ACTION Ms Nancarrow

If any Board members wish to attend the CIPFA Pension Board event to let Ms Nancarrow know and she will book a place.

During the morning of 26th November a WPP governance workshop is taking place – to which all Board members have been invited. **ACTION** - *Ms Nancarrow will issue Mrs Sutton Postlethwaite a placeholder notification.*

ACTION Ms Nancarrow

20. ANY OTHER BUSINESS

None.

21. PROCUREMENT OF INDEPENDENT ADVISER (INCLUDING PENSION BOARD CHAIR)

The Chair and Mrs Green left for this item.

Mr Latham explained that the Independent Adviser Contract currently held by Aon is up for review. The 5 year period and further 2 year contract extension have been completed, so the Fund is now required to go out to tender.

Historically the Fund has had a single named individual to act as both the Fund's Independent Adviser and the Chair of the Pension Board, however more recently due to personnel changes Ms Alison Murray has held the Independent Adviser Role with Mrs McWilliam retaining the role of Pension Board Chair. Officers feel that an independent adviser to the Fund should be a separate individual to the Independent Pension Board Chair, but intends to appoint both from the same organization in order to aid continuity and communication between them. This will be requested in the tender. The change would formally widen the role of the Pension Board Chair to reflect the Pension Board's role in assisting and overseeing the Governance of the Fund, including sitting on the Pensions Operations subgroup to the Advisory Panel once this group is established.

The Fund will be using the LGPS procurement framework and the fair and proper procurement process will be followed which may result in a change in provider or the reappointment of Aon. Officers intend to maintain the past approach that the independent adviser cannot hold another role on behalf of Clwyd Pension Fund, which excludes two providers on the Framework.

Mr Weigh asked questions regarding continuity risk and succession planning, and asked whether officers had considered appointing the two roles from separate providers, as specifying both from the same provider may limit the options available. It was confirmed that this had been discussed.

Mr Latham noted his own LGPS and Investment expertise and said that a future Head of Clwyd Pension Fund may have a different background. Therefore a consideration for this tender will be appointing an Independent Adviser with funding and investment background to enable scrutiny of these areas while retaining the Pension Board Chair with a governance and administration focus.

The meeting closed at 2.20pm

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LGPS Scheme Advisory Board
Summary note of (hybrid) meeting held on 22nd July 2024

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

The minutes of the meeting on 11th March were approved.

The main points arising from the 22nd July meeting are shown below.

The Board received an update on work to implement the **McCloud remedy**. MHCLG is planning to make regulations to remove the requirement to include McCloud information in the 2023/24 annual benefits statements and allow a discretion not to include the information in the 2024/25 statements for certain members. The regulations need to be made before the 31 August 2024 to avoid LGPS administering authorities needing to report a breach of the law to the Pensions Regulator.

Post meeting update: the regulations were laid on 28 August 2024.

The **Kings Speech** did not contain any legislative plans that would affect the LGPS directly, although there will be a Pension Schemes Bill and a Bill creating the National Wealth Fund which are of interest. The creation of the National Wealth Fund appears likely to lead to greater co-ordination between the British Business Bank and the UK Infrastructure Bank, which would be positive.

The Board also noted that the draft Audit Reform and Corporate Governance Bill (which would create a new accounting regulator – the Audit, Reporting and Governance Authority – to replace the existing regulator, the Financial Reporting Council) would be a possible vehicle to effect separation between pension fund and host authority audit, as had previously been recommended to the Government by the Board.

Cllr Phillips has sent a **welcome letter** to the new Local Government Minister, Jim McMahon MP. The letter set out some of the Board's priorities, including carrying on the work already done under the previous administration to take forward the **Good Governance** recommendations. The Board also agreed to hold quarterly calls with Pension Committee Chairs and to invite the Minister to one of these.

At the time the Board met, there was little information on the scope of the **Pensions Review**, but more detail is now becoming available. However, it was known that the Government did want pooling to be completed by 31 March 2025 and had threatened to legislate if this did not happen.

Joanne Donnelly, Board Secretary, had attended the **Roundtable** that was arranged with the Chancellor, Pensions Minister and Local Government Minister. This was held just before the Board meeting and Chris Rule from LPPI and Rachel Elwell of Border to Coast had also been present for the LGPS, alongside representatives from the wider pensions and investment industry. The Board felt that there was a need to manage expectations about how far LGPS funds could be relied on to support government policy objectives. There could be overlaps of interest but the clear priority for funds is to make sure they can pay pensions as they fall due.

The Board agreed to draft and then issue a statement on **responsible investment**, given the increased volume of representations being made to funds about how LGPS funds are invested. The Board also discussed seeking an opinion from Counsel as to whether there is a need to update the previous advice received on the nature of fiduciary duty for LGPS administering authorities.

The Board received an update on compliance with the **Code of Transparency** and the provision of the associated data system. The current contract comes to an end in August 2026 and thought was being given to the future development of it. An Early Market Engagement event for potential future suppliers was held on 7 July and provided helpful information to inform decisions. A survey of fund investment officers would launch in September with the working group and executive panel meeting in October to take stock of the situation.

It was noted that the 2023 Scheme Annual Report had been published, following the launch by Cllr Phillips at the PLSA's LGPS conference in June.

The Board agreed to start recruitment for an additional Secretariat team member to support the Board across a range of areas but primarily to develop a **LGPS peer support offer**, consistent with the Board's Good Governance recommendation on external governance reviews. This role would be advertised under the #LGPSjobs initiative.

The Board also heard that good progress had been made in revising the **Funding Strategy Statement guidance**, previously issued by CIPFA in 2016. It was hoped that this would go through the Board's and CIPFA's clearance processes in the Autumn and be adopted as statutory guidance by the Minister before the end of the calendar year. The Board thanked all of those who had volunteered their time to help update this important document.

Date of Next Meeting – 25th November 2024.

Appendix 4

Annual Review of Objective Measures for Governance Related Policies and Strategies – relating to 2023/24 (or current position where possible)

Objective	Monitoring arrangements	Assessment against requirements
Governance Policy		
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	The Independent Adviser undertakes an annual review of the effectiveness of the Clwyd Pension Fund's governance arrangements, the findings of which are reported to the Committee and published.	Compliant – included in the 2023/24 Annual Report.
	The Pension Board prepares and publishes an annual report.	Compliant – included in the 2023/24 Annual Report.
	In line with the Regulations this document will be filed with the MHCLG (now DLUHC).	The requirement is now to just publish the Governance Compliance Statement which we do. The Policy will be updated in November 2025 to amend this monitoring arrangement.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	A Knowledge and Skills Policy is in place together with monitoring and reporting of all training by Pension Committee members, Pension Board members and key officers in accordance with the Knowledge and Skills Policy.	Compliant – Latest Policy approved September 2021 (review delayed to Q4 2024/25, subject to Good Governance recommendations which are expected). Monitoring information now included in Committee Governance update report.
	The Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.	Compliant.

Objective	Monitoring arrangements	Assessment against requirements
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	A Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy.	Compliant – Latest Policy approved September 2024. Declarations and monitoring carried out at each meeting.
	The employers within the Fund, together with union representatives, are invited to an Annual Joint Consultative Meeting. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund.	Compliant.
	The Pension Fund Committee includes representatives from scheme members and most employers in the Fund.	Compliant.
	The Pension Board includes representatives from scheme members and employers in the Fund.	Compliant.
	The Pension Board prepares and publishes an annual report which may include comment on decision making.	Compliant – included in the 2023/24 Annual Report.
	The Joint Governance Committee prepares an annual business plan which is brought to the Clwyd Pension Fund Committee for agreement in accordance with the Inter Authority Agreement	Compliant – last agreed at March 2024 Committee.
Understand and monitor risk	A Risk Policy and register in place and monitoring and reporting of risks is carried out in accordance with the Risk Policy.	Compliant - Latest Policy approved March 2024.
	Ongoing consideration of key risks at Pension Fund Committee and Pension Board meetings.	Compliant – in Committee Update reports and on every Pension Board agenda.

Objective	Monitoring arrangements	Assessment against requirements
Strive to ensure compliance with the appropriate legislation and statutory guidance and to act in the spirit of other relevant guidelines and best practice guidance	The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee.	Compliant.
	The Fund has an Independent Governance Adviser and their annual report includes reference to compliance with key requirements.	Compliant – report included in the 2023/24 Annual Report.
	The Fund carries out a compliance check, at least annually, against the relevant The Pension Regulator's Code of Practice.	Compliant – This was last done in March 2024.
	The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure.	Compliant – in Committee Update reports.
	The Pension Board prepares and publishes an annual report which may include comment on compliance matters.	Compliant – included in the 2023/24 Annual Report.
	The Joint Governance Committee has a Breaches and Error Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.	Compliant – Latest Policy approved in July 2023.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	All strategies and policies include reference to how objectives will be monitored.	Compliant.
	Ongoing monitoring against key objectives at Pension Fund Committee meetings.	Compliant – in Committee Update reports.
	Ongoing monitoring of business plan targets at Pension Fund Committee meetings.	Compliant – in Committee Update reports.
	Quarterly and annual updates against the Joint Governance Committee's business plan and objectives	Compliant.

Objective	Monitoring arrangements	Assessment against requirements
	are provided in accordance with the Inter Authority Agreement.	
Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.	All information security breaches relating to data being issued insecurely by the Fund are recorded and reviewed.	Compliant
	All other incidents affecting confidentiality, integrity and accessibility of data, systems or services are recorded and reviewed.	Compliant
	The Fund has a cyber incident response plan in place.	Compliant
	The Fund has a business continuity plan and a testing schedule (including cyber incident testing) in place which is adhered to.	Partially compliant – Business continuity plan and cyber testing schedule have been completed. Work to produce a business continuity testing schedule expected to be completed during 2024/25.
	All Fund staff undertaken GDPR training in accordance with FCC's training programme.	Compliant
Risk Management Policy		
Understand and monitor risk, aiming to: • integrate risk management into the culture and day-to-day activities of the Fund • raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)	The Independent Governance Adviser will provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.	Compliant – included in the 2023/24 Annual Report.

Objective	Monitoring arrangements	Assessment against requirements
• 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.		
Conflicts of Interest Policy		
The identification and management of potential and actual conflicts of interest is integral to us achieving our governance objectives (as outlined above)	All declarations should be collated and recorded on the Fund's Register of Conflicts of Interests.	Compliant.
	The Pension Fund Committee and the Pension Board will include an item on conflicts of interest at each meeting.	Compliant - This is a standing item for both the Committee and the Board.
	The Pension Board must also include an item on conflict of interest in its Annual Report.	Non-compliant – there was no explicit mention of conflicts of interest in the 2023/24 Annual Report, despite this being a regular discussion point. The Chair of the Board will ensure this is explicit in the 2024/25 report.

Objective	Monitoring arrangements	Assessment against requirements
	The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Head of the Clwyd Pension Fund.	Compliant – there have been no requests for this in 2024/25.
	Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.	Compliant.
	Provide our findings to our Independent Adviser and ask them to include comment on the management of conflicts of interest in their annual report on the governance of the Fund each year.	Compliant – included in the 2023/24 Annual Report.
Breaches Procedure		
Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.	A report will be presented to the Pension Fund Committee on a quarterly basis setting out: • all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates. • in relation to each breach, details of what action was taken and the result of any action (where not confidential) • any future actions for the prevention of the breach in question being repeated • new breaches which have arisen since the previous meeting.	Compliant – in Committee Update reports.
	This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).	Compliant – no requests received.
Knowledge and Skills Policy		

Objective	Monitoring arrangements	Assessment against requirements
• 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. • Those persons responsible for governing the Clwyd Pension Fund have sufficient knowledge and skills to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest. • Those persons responsible for the management and governance of the Clwyd Pension Fund are expected to be committed to attending and engaging with suggested training in accordance with the Knowledge and Skills Policy.	Compare and report on attendance at training based on the following:	Results included in the 2023/24 Annual Report. Additional reporting is provided in Committee Update reports.
	• Individual Training Needs – ensuring a training needs analysis is carried out at least once every two years* which drives the content of the Fund's training plan. *in exceptional circumstances, such as a major change to the Committee membership where induction training is being carried out, a training needs analysis may be deferred to a later date.	Compliant – completed in Autumn 2023.
	• Hot Topic Training – attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.	Partially Compliant – for five training sessions in 2023/24, this target was met as follows: - PFC: Fully compliant - PB: Partially compliant – only one out of five sessions met target – average of 61% attendance - Senior Officers: Partially compliant – only one out of five sessions met target – average of 64%
	• General Awareness – each Pension Fund Committee member, Pension Board member or senior officer attending at least one day each year of general awareness training or events.	Partially Compliant – 62% of Committee and Board members achieved the requirement during 2023/24 (compared with 57% in 2022/23).
	• Induction training – ensuring areas of identified individual training are completed within six months of appointment.	Partially-compliant – although the one new Pension Board member did not formally complete induction training in the time required, it was pre-

Objective	Monitoring arrangements	Assessment against requirements
		determined that the individual has an exceptional level of relevant knowledge and the risk was therefore considered low.
	Ask our Independent Adviser to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.	Compliant – included in the 2023/24 Annual Report.
Cyber Strategy		
• 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	Cyber Strategy is reviewed on a regular basis, including:,	Partially Compliant -
	• regular testing of the incident response plan	Non-compliant
	• regular review of the Data and Asset Map,	Partially Compliant - Last Reviewed in 2023
	• and regular assessments of advisers, providers and partner organisations cyber resilience.	Partially Compliant – Administration Software provider reviewed in 2021, Host Authority reviewed in 2022. Expect further reviews during 2024/25
	Cyber strategy is formally reviewed and updated at least every three years or earlier if our approach to assessing and managing cyber risk merits reconsideration.	Compliant – Approved in March 2022, due for review in March 2025

Objective	Monitoring arrangements	Assessment against requirements
incidents are dealt with promptly and appropriately with the necessary resources and expertise available.		
Business Continuity Policy		
• 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	Regular updates on business continuity matters are considered at the Pensions Fund Committee.	Complaint - in Committee Update reports.
	Pension Board will consider reports (as required) on the results of testing and high-level findings from exercises we undertake.	Non-compliant – Focus on finalising Fund specific Business Continuity Plan. Testing planned for 2024/25.
	Any lessons learned from any debriefing exercise following either a test or a live incident into the Business Continuity Plan	Not applicable – No Fund specific testing or live events during 2023/24.
	Suitable business continuity arrangements are in place with advisers and third-party service providers and also monitor the suitability of their business continuity arrangements periodically.	Compliant – included within contract requirements for new providers during 2023/24.

Objective	Monitoring arrangements	Assessment against requirements
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		
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.	Asking members and employers about their views on how we reflect EDI values when requesting feedback on the support and communications we provide	Not applicable – EDI Policy just approved in February 2024. Surveys during 2023/24 will incorporate questions.
	Including questions on EDI as part of the regular effectiveness review carried out for the Pension Board and Committee	Compliant
	Including questions on personal characteristics and preferences as part of regular training needs analysis carried out for Pension Board and Committee	Compliant
	Seeking specific feedback on EDI from external observers at meetings, where appropriate, for example from the Council's Standards Committee	Not applicable – EDI Policy just approved in February 2024.

Training Plan as at 11 November 2024

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Essential For	Comments / Timescales
External	Desirable	CIPFA / ISIO - Local Pension Board Training Autumn Series	The Changing Political Landscape	21 Nov 2024			
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	26 Nov 2024	TBC	Committee members, Board members, Senior Officers	Morning
Internal	Desirable	CPF WPP Goverannce Workshop	CPF Internal Training	27 Nov 2024			Afternoon
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 Fundmentals - Agenda TBC	04 Dec 2024	TBC		December 4th (York), 10th (London) or 12th & 17th (Online)
External	Desirable	LAPFF Annual Conference 2024	ESG: Stand Firm	04 Dec 2024			4-6 December, Bournemouth
External	Desirable	LGA LGPS Annual Goverannce Conference, Bournemouth		30 Jan 2025	0		
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	TBC as need arises
External	Desirable	PLSA Local Authority Conference 2025		16 Jun 2025			
Internal	Essential	CPF Essential Training TBC	TBC	18 Jun 2025	TBC	Committee members, Board members, Senior Officers	

Previous Events

External	Desirable	LGA Fundamentals 2024 - Day 2	LGA LGPS Fundmentals - Agenda TBC	05 Nov 2024			November 5th (York), 13th (London) or 21st & 28th (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 1	LGA LGPS Fundmentals - Agenda TBC	10 Oct 2024			October 10th (York), 15th (London) or 25th & 30th (Online)
Internal	Essential	CPF Essential Training - Governance and National Developments	National Developments in LGPS Goverance	11 Sep 2024		Committee members, Board members, Senior Officers	Morning
External	Desirable	LGC Investment and Pensions Summit (Birmingham)	Annual LGC Summit	11 Sep 2024	12		Limited spaces - Priority to Chair and Vice Chair (offered to TP, DH, DR, JS)
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		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		
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			Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled. Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays. 31/10/2022 Staff member doing this process had internal secondment, so vacancy now needs to be filled, and then trained. 10/3/2023 New staff member is now being trained so will continue to have impact until fully up to speed. 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.		
Category affected			Active members		
Numbers affected			2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: 3363 cases completed / 50% (1697) were in breach. 2020/21: 3940 cases completed / 39% (1544) were in breach 2021/22: 4072 cases completed / 15 % (626) were in breach 2022/23: 4299 cases completed / 14% (588) 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 / 5% (32) were in breach -Q2 - 692 cases completed / 7% (48) were in breach		
Possible effect and wider implications			- Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation.		

Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. Actions prior to 2022 not shown, but recorded on the breaches log. 14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area. 22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 12/08/2022 - Number of breaches fallen as expected due to completion of training. Recent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again. 31/10/2022 - Number of breaches has increased this quarter. Staff vacancies have been advertised, shortlisting and interviews planned in the coming weeks. Prioritising workloads will be key so the number of cases in breach do not continue to rise. 03/03/2023 - Vacant positions filled and training underway. 24/05/2023 - Training continues and staff members attained a KPI presentation to fully understand implications if timescales not met. 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. 6/11/2024 employer escalation process now in place which should help improve the number of cases in breach.
Outstanding actions (if any)	
Assessment of breach and brief summary of rationale	6/11/2024 - No significant change therefore breach to remain Amber until improvement is made.
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	Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request. Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019. 31/10/2022 New regulatory requirements have resulted in additional steps having to be taken, which makes process longer and more complex. 10/11/2023 Due to awaiting new GAD guidance, there was a pause in processing for a few months to November 2023. 6/02/2024 Following on from receipt of GAD guidance, further software updates are required to facilitate completion of certain transfers (club transfers). 6/11/2024 New software updates are being developed by Heywood over a two year period which take account of McCloud.			
Category affected	Active members			

Numbers affected	2017/18: 235 cases completed / 36% (85) were in breach. 2018/19:213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21: 224 cases completed / 25% (57) were in breach 2021/22: 309 cases completed / 28% (87) were in breach 2022/23: 386 cases completed / 15% (57) 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 -Q2 - 130 cases completed / 59% (77) were in breach
Possible effect and wider implications	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.
Actions taken to rectify breach	17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively. 31/10/2022 - A review of this process is being undertaken as additional steps are now required. 03/03/2023 - Process has been reviewed and improvements expected in the next quarter results. 24/05/2023 - Completed training for required staff members 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. 6/11/2024 - Increased number completed as staff continue to work through backlog. Breach
Outstanding actions (if any)	07/06/2024 - implement new software updates when they are received 6/11/2024 - recruit to vacant position within transfer team
Assessment of breach and brief summary of rationale	6/11/2024 - As previously mentioned, breach is caused by a delay of guidance and the hold on transfers. This is a temporary breach with the number of members impacted reducing over time.Assessment of breach to remain 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	Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age. Due to a combination of: - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider. - temporary large increases in work due to retrospective pay award recalculations 31/10/2022 Also seeing general increase in number of retirements. 20/02/2024 Previous vacancies within this area now filled. Breach expected to continue until new staff are fully up to speed. 6/11/2024 Training is ongoing.
Category affected	Active members mainly but potentially some deferred members
Numbers affected	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: 1330 cases completed / 25% (326) were in breach 2020/21: 1127 cases completed / 24% (269) were in breach 2021/22: 1534 cases completed / 14% (222) were in breach 2022/23: 1632 cases completed / 18% (286) were in breach 2023/24 -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 2024/25 -Q1 - 487 cases completed / 20% (97) were in breach -Q2 - 545 cases completed / 11% (61) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from members/employers. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). - Set up of ELT to monitor and provide leaver details in a more timely manner. - Prioritising of task allocation. - Set up of new process with one AVC provider to access AVC fund information. - Increased staff resources. Actions prior to 2023 not shown, but recorded on the breaches log. 03/03/2023 - New staff have been appointed but will not be fully trained for a number of months. 24/05/2023- Training of new staff continues. New project team is being established to remove non KPI/ad hoc pressures from Operations which impacts on workload. Improvements will be made over a period of months. 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. 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. 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. 24/5/2024 - Number of cases completed has increased and the number in breach has reduced. Continued improvement expected in this area. 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. 6/11/2024 - Recruited to vacant positions within retirement team and training underway.
Outstanding actions (if any)	6/11/2024 - Complete training of new members of staff
Assessment of breach and brief summary of rationale	06/11/2024 - Number of cases completed has increased and the number in breach has reduced. further reduction required before considering assessment of breach. Therefore, to remain amber for now.
Reported to tPR	No

Ref	A6		**Date entered in register**		20/09/2017
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		Late notification of death benefits		**Owner**	SB
Party which caused the breach			CPF		
Description and cause of breach			Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative). Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task. 31/10/2022 More staff now trained on deaths but they are impacted due to increases in other workloads. 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. 6/11/2024 Training is ongoing.		
Category affected			Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).		
Numbers affected			2017/18: 153 cases completed / 58% (88) were in breach. 2018/19:184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21: 195 cases completed / 27% (53) were in breach 2021/22: 207 cases completed / 13% (26) were in breach 2022/23: 190 cases completed / 26% (50) 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 -Q2 - 36 cases completed / 28% (10) were in breach		
Possible effect and wider implications			- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for there to be an impact on CPF reputation.		
Actions taken to rectify breach			- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues. 31/10/2022 - Due to pressures of other processes and vacancies within the team, key staff responsible for this process are stretched. Vacancies advertised, shortlisting and interviews planned within coming weeks. 03/03/2023 - Vacant positions have now been filled and training is underway. 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. 6/11/2024 - Recruited to vacant positions within relevant team and training underway.		
Outstanding actions (if any)			10/3/23 Ensure all training continues as quickly as possible to free up people to refocus on death cases. 12/08/2024 - Analysis of historical cases will help identify source of breach.		
Assessment of breach and brief			06/11/2024 - Number of breaches remains high. 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			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. 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). New software updates are being developed by Heywood over a two year period which take account of McCloud.		
Category affected			Active and deferred members		
Numbers affected			2023/24 -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 2024/25 -Q1 - 96 cases completed / 14% (13) were in breach -Q2 - 160 cases completed / 49% (78) were in breach		
Possible effect and wider implications			- Potential financial implications on some scheme members. - Potential complaints from members/new schemes. - Potential for impact on CPF reputation.		
Actions taken to rectify breach			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. 6/11/2024 - Staff continue to work through the backlog with number of cases being completed increasing. Successful appointment of a staff member to one of two vacancies within the tramsfer team.		
Outstanding actions (if any)			12/08/2024 Still awaiting further software and guidance. 6/11/2024 - recruit to vacant position within transfer team		
Assessment of breach and brief summary of rationale			6/11/2024 - As previously mentioned, breach is caused by a delay of guidance and the hold on transfers. Numbers in breach have increased due to increase in numbers processed which include old cases. This is a temporary breach with the number of members impacted reducing over time. Assessment of breach to remain Amber.		
Reported to tPR			No		

Ref	A27		**Date entered in register**		07/11/2024
Status	Closed		**Date breached closed (if relevant)**		07/11/2024
Title of Breach		Overpayment of benefits case		**Owner**	KW
Party which caused the breach			CPF		
Description and cause of breach			Individual pensioner member's benefits overpaid since payment commenced in 2018 due to an incorrect pay figure being used by the CPF team when calculating the members deferred benefit		
Category affected			Pensioner member		
Numbers affected			1 employee		
Possible effect and wider implications			Potential for impact on CPF reputation. Financial impact on Fund due to non recovery of overpayment		
Actions taken to rectify breach			07/11/2024 - legal advice sought and engagement with the Pensions Ombudsman. Numerous discussions had with the member ahead of being written to and urgent delegation used to obtain PFC approval to not recover the overpayment. System updated and correct benefits are now in payment. Data analysis complete to identify other potential overpayments of which none were identified.		
Outstanding actions (if any)					
Assessment of breach and brief			07/11/2024 - this was an isolated incident and has been resolved and can be closed		
Reported to tPR			No		

Cronfa Bensiynau
CLWYD
Pension Fund

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:**	The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee: • Other urgent matters as they arise
	Delegated Officer(s):	HCPF and either CFM or CMPOD , subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)
	Communication and Monitoring of Use of Delegation	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting following PFC.

SUBJECT:	Future location of Clwyd Pension Fund offices and impact on budget
BACKGROUND:	
As you are aware, all services currently based in County Hall are being relocated to Ty Dewi Sant in Ewloe, due to the imminent demolition of the buildings on the Mold site. The shared office space available at Ty Dewi Sant was not deemed	

appropriate for the Clwyd Pension Fund due to the confidential nature of information of both members and employers. More information about the relocation of services can be found in the paper presented to the 10 October meeting of the Scrutiny and Oversight Committee by clicking on the following link:

https://committeemeetings.flintshire.gov.uk/documents/s83817/Office%20Rationaslisation.pdf?LLL=0

Flintshire County Council are responsible for securing and paying for Council accommodation including for the Fund. However the costs are recharged to the Fund via an internal recharge, which also includes other Council services such as IT, legal, democratic services and HR. This recharge cost is included within the Fund's operating budget under Support & Services Costs which is split between governance and administration expenses and for 2024/25 this was a total of £176k (0.56% of the Fund's total operating budget).

Fund officers, in collaboration with Flintshire County Council colleagues have been seeking suitable alternative accommodation that is competitively priced within current market rates. Given the impact on the Fund's future operating budget, prior to Flintshire County Council signing any rental contract on behalf of the Fund, the Pension Fund Committee are required to be informed of, and to approve the expected increase in the budget.. It is likely that the Fund will incur some additional costs within the current financial year due to relocation costs and potentially additional office furniture and supplies, but these are not expected to be significant (estimated to be less than £20k). In addition, the budget for 2025/26 and future years will include increased accommodation costs of circa £80k per annum due to the difference in cost compared to FCC accommodation re-charge and business rates.

RECOMMENDATION:
To agree the potential increase to the in-year budget and that future budgets will include increased costs relating to accommodation.

Calendar 2024-25 Nov-24

Month	Date	Day	Committee	Pension Board	Other Events	Location
2024/25						
Nov						
	27-Nov	Wed	PFC 9.30am - 12.00pm			County Hall (Hybrid)
Dec						
	10-Dec	Tues			WPP JGC	Virtual
	26-Nov	Tues			Annual Employer and Scheme Member Representative Meeting	County Hall
Jan						
	17-Jan	Fri		PB 9.30am - 2.30pm		County Hall (Hybrid)
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		PB 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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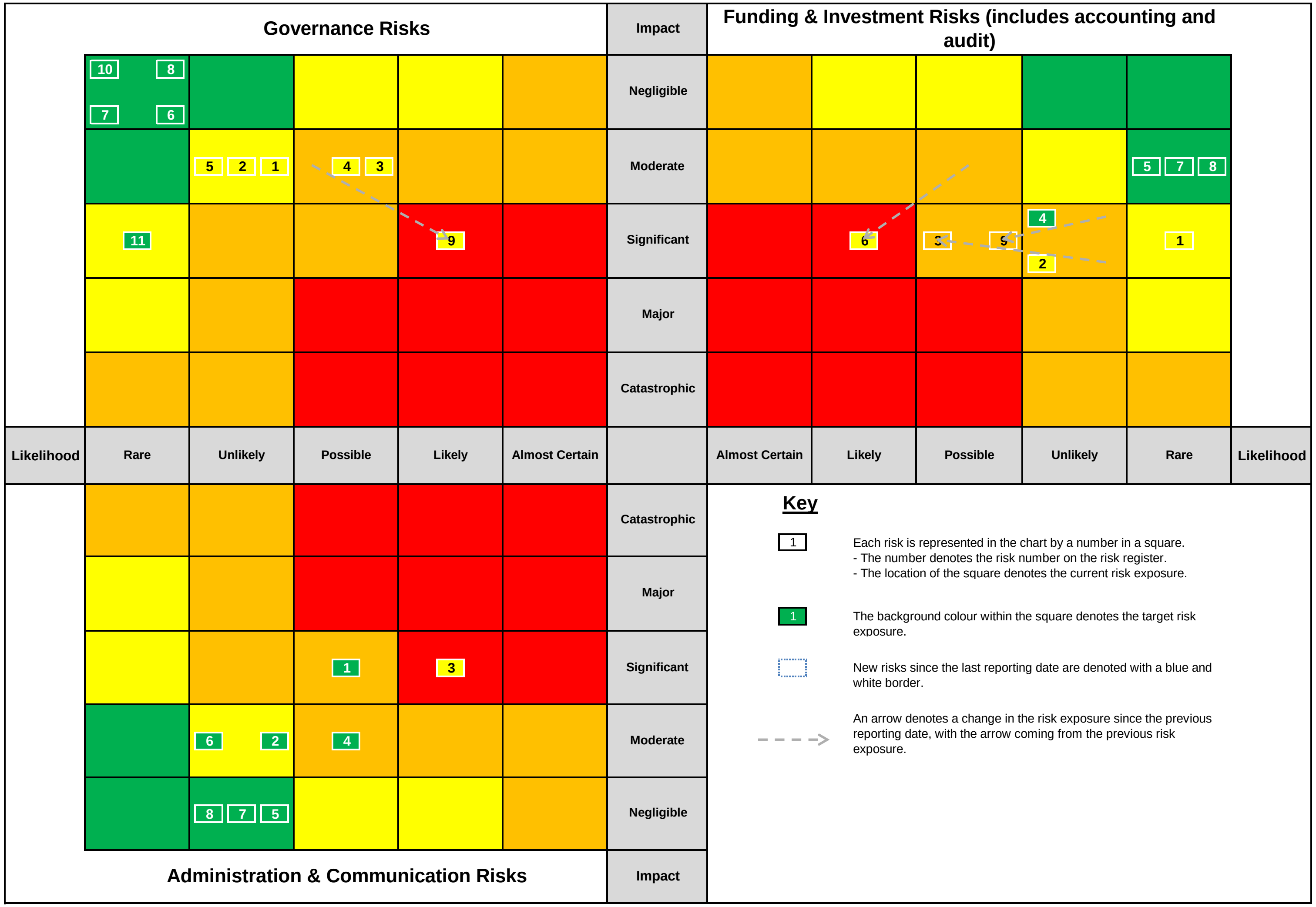
All Fund Risk Heat Map and Summary of Governance Risks



20 November 2024

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	- 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	- 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		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		☺			1 – Ensure new PFC members receive induction training including on COI (PL) 2 – Periodic review of K&S policy – est'd Q4 2024/25 (PL) 3 – Agree and implement EDI action list (PL) 4 - Consider/implement ways to encourage continuity of PFC membership	Phil Latham	13/12/2024	13/11/2024
2	Officer/delegated decision-making is inappropriate	- 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	- 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		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		☺			1 – Finalise work on succession planning (PL) 2 – Review and implement sub-groups on AP (PL) 3– Periodic review of K&S policy – est'd Q4 2024/25 (PL) 4 – Agree and implement EDI action list (PL)	Phil Latham	13/12/2024	13/11/2024
3	WPP delegated decision-making is inappropriate (particularly for CPF)	- 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	- 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 are 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		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 CoI Policy and Procedures in place Including process for decision making for "local" investments	Moderate	Unlikely		😐 Current likelihood 1 too high	10/06/2024	Mar 2025	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	13/12/2024	13/11/2024
4	Decisions not implemented - resourcing issues	- 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	- 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		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		😐 Current likelihood 1 too high	03/09/2024	Mar 2025	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 policy – est'd Q4 2024/25 (PL) 4 - Carry out knowledge/skills gap analysis and ensure relevant training for new Management Team. (PL)	Phil Latham	13/12/2024	13/11/2024
5	Decisions not implemented - FCC barriers	- 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	- 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		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		☺			1 – Finalise CPF structure review (including consideration of impact of pay grades) (PL) 2 - Consider/implement ways to encourage continuity of PFC membership (PL) 3 - Accommodation move to be agreed/planned with FCC Property Team (KW)	Phil Latham	13/12/2024	13/11/2024
6	Decisions not implemented - provider failure	- 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	- 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		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		☺			1 – Conduct tender for independent adviser (PL) 2 – Consider extension of actuarial/benefits consultancy contract (PL)	Phil Latham	13/12/2024	13/11/2024

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	- 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	- 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		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		☺			1 – Review PB scheme member (non-trade union) representative (PL) 2 – Review Chair of the PB (PL) 3 – Agree and implement EDI action list (PL)	Phil Latham	13/12/2024	13/11/2024
8	Ineffective oversight - internal and external audit	- Lack of knowledge/understanding of the LGPS - Insufficient resources to adequately carry out audit responsibilities - Conflicts of interest - Excessive turnover in audit personnel	- 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		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		☺			1 - At end of this year's ARA audit, review to ensure more efficient process in future years. (DB)	Phil Latham	13/12/2024	13/11/2024
9	Unable to adequately/ appropriately implement governance changes - external	- 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	- 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	Significant	Likely		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		😐 Current impact 1 too high Current likelihood 2 too high	10/06/2024	Mar 2026	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) 4 - Agree plan of action in relation to Pension Reform with AP, PFC and potentially FCC (PL)	Phil Latham	13/12/2024	15/11/2024
10	Fund adversely affected by Acts of fraud including corruption, bribery and money laundering	- 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	- 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 / IDRPs, rectification costs & reputational damage - Higher employer contributions (if assets lost)	M2, G2, G4, G5, G7, R1, C1, BC1	Negligible	Rare		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		☺				Phil Latham	13/12/2024	13/11/2024
11	No or restricted access to our systems	- Business Continuity incident - Cyber attack - FCC system failure - Natural event (including impact of climate change)	- 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 / IDRPs, 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		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		😐 Current impact 1 too high	10/06/2024	Dec 2024	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	13/12/2024	13/11/2024

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):

	CPF Examples			
Description	**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	- The Fund's liquid assets (invested assets, contributions and asset cashflows) are 20% as a proportion of total assets and the ability not to pay future benefits/contractual obligations may have a major impact - Reduction in funding level (e.g. 20-30% since the last valuation) and/or expected returns outlook versus inflation (e.g. -0.75%-1% per annum versus the last valuation assumption) which when combined is expected to persist at least to the next actuarial valuation which would result in major increase in employer contributions which affect public services - A shift in the demographic profile of the Fund which would result in a major increase in contributions which affect public services - The majority of large (non-Council) employers become insolvent and cannot pay required contributions which then impact on other remaining employers	Intense public and media scrutiny	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 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 - 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	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)		Negative national level information (e.g. outlier on LGPS league tables)	Some IDRPs 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 - 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	Internal scrutiny required to prevent escalation	Legal action possible but unlikely and defendable
	- 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)		Negative regional level information (e.g. outlier on Welsh league tables)	Some IDRPs 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 - 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	Internal review	Legal action very unlikely and defendable
	- 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			Very small number of informal complaints (under 10) and unlikely to be any IDRP or Pensions Ombudsman claims

Criteria for assessing likelihood

Liklihood		
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.

Agenda Item 9

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Thursday, 27 November 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 updated on the Fund's administration and communications performance will be provided at the next Committee meeting in February.

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

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS UPDATE
1.01	Appendix 1 summarises the Fund's administration performance and key activity undertaken since the last update provided at the September Committee meeting, including: • 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 IDRP's 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 • four delegated decisions taken by officers and/or the Chair/Vice Chair.

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 • Appendix 3 – Delegation - Application for admitted body status for Flintshire Libraries and Leisure • Appendix 4 – Delegation -Application for admitted body status for Dolce Ltd • Appendix 5 – Delegation - Technical changes to the Fund's Policy on the overpayment and underpayment of pension scheme benefits • Appendix 6 – Delegation - Approach and treatment of the overpayment of an individual member's benefits

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	• Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to Pension Fund Committee – Communications Strategy (June 2022) • Report to Pension Fund Committee - 2024/25 Business Plan and Clwyd Pension Fund Risk Management Strategy (March 2024) **Contact Officer:** Karen Williams, Pensions Administration Manager **Telephone:** 01352 702963 **E-mail:** karen.williams@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of. (f) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF. (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC. (h) **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.

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Cronfa Bensiynau CLWYD Pension Fund

Administration and Communications Summary

November 2024

Administration Performance

Key Performance Indicators	3 months to 31 October 2024		12 months to 31 October 2024	
	% completed within KPI	Change in % completed within KPI*	% completed within KPI	Change in % completed within KPI*
Legal	88%	▲ +4.92%	85%	▼ -4.55%
Overall	79%	▲ +10.05%	74%	▲ +2.08%
CPF	89%	▲ +4.25%	85%	▼ -3.86%

*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 October 2024	9,182	9,571	6,241	▼ -6.11%

IDRP's	Outstanding IDRP cases against the Fund	Outstanding IDRP cases against Employers	Ongoing Pensions Ombudsman Cases
31 October 2024	0	2	0

Commentary

In relation to the KPIs the legal, overall, and the CPF measure for this 3 month period across the combined processes are up on the previous 3 month period due to there being improvements in a number of the individual KPIs achieved over the period. The most significant improvements in the overall measure relates to leavers, transfers in and quotations with the overall leaver measure increasing by 20% compared to the previous 3 month period.

Focusing on the 12 month measures, the main areas where performance against the legal and CPF measure is lower than the previous reporting period relate to refunds and transfers out which is due to prioritising more urgent cases such as retirements and deaths.

The case level volumes received and completed have both increased since the last reporting period. A proportion of the c600 increase in new cases relate to the public service forms for

McCloud being returned which were sent out with the Annual Benefit Statements. The decrease of over 6% in outstanding cases is positive.

There are no new IDRP or Pensions Ombudsman cases.

A detailed update on the administration performance will be provided at the February 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					

In relation to A1 – McCloud judgement - the bulk of the automation is now complete and therefore, more timely manual solutions are needed for the remaining data upload which could impact on the target date for completion. This is being carefully monitored with regular discussions ongoing at internal meetings. Although there were some delays in completing four items (A5, A8, A9 and E1) they have now either been completed or will be completed by the end of Q3. This includes the preparation of member data for the interim valuation, which is a major area of work, which has now been completed. In relation to A6, the overpayment and underpayment of benefits policy review is now complete (see the delegated actions section below). Work has commenced on the review of the Administration Strategy and development of the Data Quality Policy which are expected to be completed in Q4; however we are aiming to include any outcomes from the Good Governance review as part of this and therefore may consider delaying the Administration Strategy if the Good Governance review consultation is not published in time.

Major Projects:

McCloud

The overall programme health status is green. The main focus of work remains to finalise the data collection and update member records. Data is outstanding for a very small number of employers and we are engaging with these employers. Over 70% of data received has now been updated in the member records. Testing and planning has commenced for Benefit rectification, and this is expected to be able to commence early in 2025 now the final phase of LGA's administration guide has been published.

Pensions Dashboard

The overall programme health status is green. The first Programme Management Group (PMG) meeting has taken place and all procurement documentation to appoint an Integrated Service Provider has been approved. It is intended to appoint the existing software provider, Heywood using the direct award process as part of the National LGPS Frameworks (noting the Committee have already delegated the approval of this to the PMG, subject to the Head of Clwyd Pension Fund and the Pensions Administration Manager being present when any key decisions are being made). Project initiation documentation is now complete. The main focus of work continues to be data cleansing in preparation for on-boarding to the eco-system.

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 September Committee meeting, are to update some actions and internal controls based on progress being made. Please see the attached Administration and Communications Risk Register.

The two risks furthest away from their target are as follows:

Risk 1: Insufficient suitably trained administration and communications staff – this risk continues to be carefully monitored (amber). The action relating to recruitment, retention and succession planning is underway and is expected to support with reducing this risk in the longer term.

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. Furthermore, HMT's Pensions Review will require careful monitoring as further information on this emerges. At this stage the focus is mainly on investments, however, if LGPS changes look like there may be wider impacts on administration then the risk register will be updated.

Communications

Pension Saving Statements have all been issued to those members who may have exceeded their annual allowance tax limit for the year 2023/24 within the statutory deadline of the 6th October.

In accordance with the Communication Strategy, an employer satisfaction survey was issued as part of the September employer meeting. The results of this will be shared as part of the full Administration report for the February Committee meeting.

Delegated Actions

The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Since the September Committee the following delegations have been approved (as per appendices 3, 4,5 and 6):

- Application for admitted body status for Flintshire Libraries and Leisure
- Application for admitted body status for Dolce Ltd
- Technical changes to the Fund's Policy on the overpayment and underpayment of pension scheme benefits
- Approach and treatment of overpayment of an individual member's benefits

Any Other Matters

Nothing to report.

Administration and Communication Risks Heat Map and Summary

Impact	Administration & Communication Risks					
Negligible				5 7 8		
Moderate			4	2 6		
Significant		3	1			
Major						
Catastrophic						
	Almost Certain	Likely	Possible	Unlikely	Rare	Likelihood

Key

1	Each risk is represented in the chart by a number in a square. - The number denotes the risk number on the risk register. - The location of the square denotes the current risk exposure.
1	The background colour within the square denotes the target risk exposure.
	New risks since the last reporting date are denoted with a blue and white borde
	An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

20 November 2024

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	- 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	- 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		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		😐 Current impact 2 too high Current likelihood 1 too high	10/06/2024	Mar 2025	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 administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024
2	Employers don't provide timely and accurate information	- 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	- 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		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		😐 Current impact 1 too high	10/06/2024	Dec 2024	1 – Implement employer escalation procedure (which covers joiners, leavers and retirements) (KW/AH/KWi) 2 – Develop and implement Data Quality Policy (KW) 3 – List of all administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024
3	Significant changes required to existing administration and communications processes and procedures	External factors (Current examples: McCloud, Pensions dashboards, backdated pay awards, Employer membership changes)	- 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		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 and Pension dashboards programme established. 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		☹ Current impact 1 too high Current likelihood 2 too high	10/06/2024	Mar 2025	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 (KWi/KW)	Karen Williams	11/12/2024	11/11/2024
4	Communications to scheme members are misunderstood, not inclusive, or are not received / not read	- 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	- 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		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		😐 Current impact 1 too high Current likelihood 1 too high	10/06/2024	Mar 2025	1 – Finalise Plain Language review of all communications beyond website (KW) 2 – Implement new communications strategy (other actions) 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 administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024
5	Communications to employers are misunderstood , not inclusive, or are not received / not read	- 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)	- 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		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		☺			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 administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024

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	- Poor data quality - systems with underlying errors or poor functionality - staff errors / poor peer review	- Incorrect amounts of benefits are paid - Members rely on incorrect information to make decisions - Complaints / IDRPs-, 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 Quality Policy (KW) 3 – List of all administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024
7	Communications to employers are inaccurate	- Poor data quality - systems with underlying errors or poor functionality - staff errors / poor peer review	- Employers rely on incorrect information and therefore, provide incorrect data which may result in incorrect member benefits - Complaints / IDRPs-, 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 Quality Policy (KW) 3 – List of all administration processes (including checking) to be developed (KW)	Karen Williams	11/12/2024	11/11/2024
8	The Fund does not have appropriate pension administration/ communication systems	- 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	- 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 / IDRPs, 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/KWi/AH) 2 – Develop and test all processes for national pension dashboard readiness (KW/KWi/AH) 3 – Consider future options for website hosting (KW/KM/AH) 4 – List of all administration processes (including checking) to be developed (KW) 5 - Ongoing discussions with Heywood regarding transition to engage to replace MSS.	Karen Williams	11/12/2024	11/11/2024

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

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:**	Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
	Delegated Officer(s):	HCPF and either the CFM or CMPOD after taking appropriate advice from the FA.
	Communication and Monitoring of Use of Delegation	Ongoing reporting to PFC for noting.

Subject matter	Application for admission body status for Flintshire Libraries and Leisure Ltd
Recommendation	To allow Flintshire Libraries and Leisure Ltd admission body status as part of the CPF with effect from 01/11/2024

Background:
Flintshire Libraries and Leisure Ltd is a Local Authority Trading Company (LATC) providing library and leisure services within Flintshire. Flintshire Libraries and Leisure Ltd are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):

***1.** The following bodies are admission bodies with whom an administering authority may make an admission agreement-*

- *(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);*
- *(b) a body, to the funds of which a Scheme employer contributes;*
- *(c) a body representative of-*
  - *(i) any Scheme employers, or*
  - *(ii) local authorities or officers of local authorities;*
- *(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-*
  - *(i) the transfer of the service or assets by means of a contract or other arrangement,* X
  - *(ii) a direction made under section 15 of the Local Government Act 1999**(115)** (Secretary of State's powers),*
  - *(iii) directions made under section 497A of the Education Act 1996**(116)** ;*
- *(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.*

The effective date of the contract was 1 November 2024 an admission agreement is being prepared and will require all parties to sign. An admission agreement may take effect on a date before the date on which it is executed as per Part 3 of Schedule 2.

As the body is providing a service for Flintshire County Council, Flintshire County Council will also be party to the admission agreement and will act as guarantor.

The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with approximately 106 existing Clwyd Pension Fund scheme members transferring from Aura Leisure and Libraries to Flintshire Libraries and Leisure Ltd. All contributions will be paid on the formal admission to the Fund.

It has been considered and agreed by the Actuary that the contribution rate from the new employer would commence at the same level as Aura Leisure and Libraries, given that the majority of members are transferring to the new admission agreement, and it is expected that all assets and liabilities will be novated to the new arrangement. The contributions will therefore be as set out in the Actuary’s 2022 valuation report. The required contributions will be reviewed as part of the 2025 actuarial valuation in line with all employers and will be effect from 1 April 2026.

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:**	Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
	Delegated Officer(s):	HCPF and either the CFM or CMPOD after taking appropriate advice from the FA.
	Communication and Monitoring of Use of Delegation	Ongoing reporting to PFC for noting.

Subject matter	Application for admission body status for Dolce Ltd
Recommendation	To allow Dolce Ltd admission body status as part of the CPF with effect from 01/09/2024

Background:
Dolce Ltd is a company providing catering services for Hawarden High School. Dolce Ltd are applying to become an admission body under the provision of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (their specific circumstance is crossed below):

__1.__ The following bodies are admission bodies with whom an administering authority may make an admission agreement-

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of-

(i) any Scheme employers, or

(ii) local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-

(i) the transfer of the service or assets by means of a contract or other arrangement, X

(ii) a direction made under section 15 of the Local Government Act 1999__(115)__ (Secretary of State's powers),

(iii) directions made under section 497A of the Education Act 1996__(116)__ ;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

The effective date of the contract was 1 September 2024 and an admission agreement has been prepared and is with all parties for signature. An admission agreement may take effect on a date before the date on which it is executed as per Part 3 of Schedule 2.

As the body is providing a service for Hawarden High School, Flintshire County Council will also be party to the admission agreement and will act as guarantor.

Initial funding level is 100%. The agreement is a Closed agreement (i.e. restricted to just the transferring employees) with 7 existing Clwyd Pension Fund scheme members transferring from Flintshire County Council to Dolce Ltd. All contributions have been paid from the contract start date.

Advice has been taken from the Fund Actuary, which is attached. Initially the open/closed status of the employer was undecided, therefore advice was provided to cover both scenarios. As you can see, the notional assets equal the liabilities being transferred (on an ongoing funding basis) and accordingly the initial funding level is 100% and the surplus/deficit at the point of transfer is Nil. This will be reviewed at future actuarial valuations. The initial employer contribution rate will be 23.9% of pensionable pay.

Cronfa Bensiynau CLWYD Pension Fund

CLWYD PENSION FUND

SCHEME OF DELEGATION

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

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

SUBJECT:	Approval of changes to the CPF Policy on the Overpayment and Underpayment of pension scheme benefits.
BACKGROUND:	
This request asks for the approval of the CPF Policy on the Overpayment and Underpayment of pension scheme benefits. **Policy on the Overpayment and Underpayment of pension scheme benefits**	

The Fund's Policy on the Overpayment and underpayment of pension scheme benefits has been updated based on the three yearly review cycle and officers are requested to approve the technical detail in accordance with the Scheme of Delegation. The authorisations table including the payment limits (as per section 7) was approved by the Pension Fund Committee at the meeting on 11 September.

Policy on the Overpayment and Underpayment of Pension Scheme Benefits

The CPF initially developed an Overpayment and Underpayment of Pension Benefits Policy around six years ago with the previous version having been approved by the Pension Fund Committee in September 2021. The key purpose of the policy is to provide a set of guidelines for officers to follow and to ensure over and underpayments are dealt with in a consistent and fair and equitable manner.

The key changes to the policy are:

- Improved clarity that the policy should not cause the Administering Authority's exercise of discretionary powers to be unlawfully fettered or restricted in any way
- References added where relevant to the Fund's separate Anti-fraud and Corruption policy
- Updated to include relevant legal requirements and more up to date case law/Pensions Ombudsman cases and a new section on situations where it has been determined to recover a past overpayment but it has not been possible to reach an agreement with the member in relation to the overpayment
- A new section relating to McCloud to outline how any underpayments arising from this work will be dealt with
- Removal of the section relating to under and overpayment of pension due to the GMP reconciliation exercise
- Improved clarity that the strict legal position is to adjust all cases where a pension has been overpaid to the correct amount going forward
- A new section outlining that all under and overpayment of pension cases will be recorded on the Fund's breaches log

RECOMMENDATION:
To agree to the tracked changes to the Fund's Policy on the Overpayment and Underpayment of pension benefits as shown on the attached version.

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:**	The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee. • Other urgent matters as they arise
	Delegated Officer(s):	HCPF and either CFM or CMPOD , subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)
	Communication and Monitoring of Use of Delegation	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.

SUBJECT:	Overpayment of an individual member's benefits
BACKGROUND:	
Due to a manual input error, a member's benefits were calculated using an incorrect pay figure which resulted in overinflated pension benefits being put into payment. After	

seeking legal advice, consulting with the Pension Ombudsman and considering the information provided by the member and having regard to the Fund's Under and Over payment policy, a recommendation not to recover the overpayment along with all relevant information was emailed to Committee members on 1st October 2024 as required under the scheme of delegations.

RECOMMENDATION:
Approve recommendation made by Fund Officers as set out in the Under and Over payment Policy not to recover monies from CPF member that have been paid in error.

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 27 November 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 including the annual review of the Fund's AVC arrangements and an update on an enquiry in relation to investments with Pemberton Asset Management.
- Delegated Responsibilities: Actions taken by officers since the last Committee meeting.
- Risk Register: Two 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.
2	Note the update including confirmation that there are no plans for Clwyd Pension Fund to directly invest with Pemberton Asset Management.
3	The Clwyd Pension Fund will engage with WPP on the justification of allocating to Pemberton, seeking further clarification and explanation from Pemberton Asset Management on the matter in line with the WPP Responsible Investment Policy.

REPORT DETAILS

1.00	INVESTMENT AND POOLING RELATED MATTERS
1.01	**Business Plan Update** Appendix 1 provides a summary of progress concerning the Investment and Funding section of the Business Plans for 2024/25. Key tasks to note are as follows: • F1 (Interim Investment Strategy Review and Implementation) – Completed. Agreed changes have been implemented. • F2 (Interim Funding Review) – On target. The initial engagement with employers to assess affordability, budgeting outlook, and interim funding review have been undertaken. Results and discussions with employers will be completed in Q3 2024. Further information is provided in paragraph 1.09 below • F3 (Taskforce on Nature-Related Financial Disclosures) – On target. TNFD training for the Committee and Board is planned to take place on 19 February 2025 after the Committee meeting.
1.02	**Wales Pension Partnership (WPP)** *Joint Governance Committee (JGC)* The last WPP JGC meeting was held on 18 September 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. The JGC discussed or approved the following: • The OWG reviewed Training & Resources and Communications Risks, with no significant changes. An updated WPP Risk Register was approved by the JGC and uploaded to the WPP website; the next review will focus on Investment Section Risks. • Waystone provided a quarterly update to June 2024 on WPP's sub-funds and corporate engagement. • Russell Investments reported progress on the Private Credit program launched in April 2023. • An update on WPP's liquid assets' investment performance to June 2024. Clwyd Pension Fund's 1-year investment performance to June 2024 is detailed in the table below.

Mandate	Inception	Current Net Asset Value	Perform-ance	Bench mark
Sustainable Active Equity	Jun 23	c. £375m	14.5%	20.1%
Multi Asset Credit	Aug 20	c. £339m	9.2%	9.6%

1.03	**Responsible Investment Update** <u>Clwyd Pension Fund</u> *FRC UK Stewardship Code 2020*

	The Fund submitted its Stewardship Code 2020 application ahead of the October deadline, reaffirming its commitment to responsible and sustainable investment practices. As a signatory since 2023, the Fund continues to prioritise transparency, robust governance, long-term value creation, and ethical business standards. The outcome of this year's submission will be communicated following the assessment process in February 2025. *Task Force on Climate-Related Financial Disclosures (TCFD)* With support from Mercer, the Fund has finalised its 2024 TCFD report, further enhancing to incorporate a high level summary of TNFD analysis which focusses on two core metrics. The report aims to help stakeholders understand the Fund's exposure to climate impacts while reinforcing its commitment to informed decision-making and long-term sustainability. Additional updates, including a draft stakeholder summary, are provided in agenda item 6. *The Good Economy Placed-based Impact Investing (PBII) Report* The Fund has engaged The Good Economy (TGE) to continue its reporting on PBII for the year 2024, focusing on investments within the Local/Impact allocation of its private markets' portfolio. The report analyses contributions to local economies and communities, including support for UK and Welsh businesses, housing, social care, job creation, and clean energy. It highlights regional impacts, alignment between place and outcomes, and features a case study on Clwyd's Separate Managed Account investment with Capital Dynamics in clean energy. With a £217m commitment to place based assets, the Fund's outcomes are detailed in full in Appendix 3.
1.04	<u>WPP</u> *Responsible Investment Working Group (RIWG)* The Fund's key priorities within its RI policy include enhancing reporting on RI matters. The RIWG has convened three times since the Fund's last Committee update in September 2024. The next meeting is scheduled for 20 February 2025. Discussions in the recent meetings have focused on: • Advanced discussions around a WPP Passive Equity solution. • Stewardship Code Report; and Stewardship themes feedback. • WPP TCFD Report. • Climate & ESG risk reports for various sub-funds. • Sustainable Fixed Income evolution. The RI report for Q3 2024 summarises WPP's sub-fund stock exposures, including voting and engagement, securities lending, climate, and ESG metrics and is included in Appendix 4. The report has been provided to each Constituent Authority and includes the two sub-funds in which Clwyd Pension Fund is invested. Due to the significant resources required and the reliance on data availability to produce these reports, the OWG agreed that they would be produced on a biannual basis going forward, to ensure the information is reported accurately.

	The private quarterly WPP Engagement Report and Securities Lending Report will continue to be directly shared with committee members. *WPP Voting & Engagement Provider and Oversight Advisor Procurements* The WPP commenced a tender process in October 2024 to appoint a Voting & Engagement Provider and an Oversight Advisor. Bidders submitted their proposals by the October deadline, ahead of evaluation days on the 7th and 8th of November, which formed Stage 1 of the procurement process for the respective roles. Following the evaluation, the successful bidders from Stage 1 were invited to present to the WPP officers on the 20th and 21st November for final scoring. The outcomes of these separate tender processes, identifying the successful bidders, will be submitted to the JGC for approval on 10 December 2024. *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 September 2024. The total amount of WPP net revenue for Securities Lending during the quarter to June 2024 was £205,488. The Clwyd Pension Fund is only invested in one fund which generate 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 (40%)	£12,888	£5,155

1.05	**Private Markets Update** All future commitments to Infrastructure, Private Debt, and Private Equity investments will be made through WPP by the appointed Allocators. The Fund's strategic allocation to these asset classes is 19%. Mercer will continue to assist Fund officers in identifying Local and Impact investments, which has a strategic allocation of 8%, until WPP can accommodate the Fund's ambitions in this area. The Fund continues to explore opportunities for investment in the local Clwyd area.
1.06	<u>Clwyd Pension Fund</u> Upon Mercer's recommendation, the Fund has committed additional capital to an existing Infrastructure and Local/Impact investments. These were agreed as part of the 2023/2024 interim investment strategy review and communicated to the Committee at the last meeting in September 2024.

Asset Class	Fund	Commitment

Infrastructure	JPMorgan, UK Infrastructure I	$38m (£30m)
Local/Impact	Capital Dynamics, Clean Energy Infrastructure (Clwyd SMA)	£30m

1.07 WPP

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

Allocator	Asset Class	Committed	Deployed*
Russell Investments	Private Credit	£50m	c. £12.7m
GCM Grosvenor	Infrastructure	£64m	c. £24.1m
Schroders – Vintage 1	Private Equity	£60m	c. £16.5m
Schroders – Vintage 2	Private Equity	£20m	c. £2.4m

**Figures as at 30 September 2024.*

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

1.08 **Other Matters**

Additional Voluntary Contributions Review (AVCs)

The purpose of this report is to provide an update to Committee Members on the Fund's AVC arrangements following the annual review carried out by Mercer in 2024 and to provide more information on the type of AVC arrangements that the Fund has in place. Further detail is included in Appendix 5.

The main findings of this annual review are:

- Out of the Fund's 14 unit linked AVC holdings held with Prudential, 12 outperformed / performed in line with their respective benchmarks over the 1-year period to the 30 June 2024, and eight outperformed / performed in line with their benchmarks over the 3- and 5-year periods, noting that one Fund did not have performance over the 5 year period due to the date it was incepted.
- The Fund also has a With-Profits holding with Prudential which does not have a benchmark but produced positive returns over each of the last five 1-year periods to 1 July 2024.
- All 3 of the Fund's unit linked AVC holdings held with Utmost, outperformed their respective benchmarks over the 1-, 3- and 5-year periods to the 1 July 2024, noting that one Fund did not have performance over the 5-year period due to the date it was incepted.
- Service performance across both Prudential's Unit Linked and With Profits AVC business has continued to gradually improve since the pandemic, with call response times standards being maintained and Prudential increasing the level of online data provision and the roll out of an online self-service website progressing.

The AVC arrangements will continue to be reviewed annually (in terms of performance of funds), as per the original recommendations by Mercer. The next annual review is scheduled for November 2025.

1.09	*2024 Funding Review* The Fund Actuary has now completed the 2024 funding review, which assessed the updated funding position for the Fund and major employers as at 31 August 2024. This funding review does not impact on the employer contributions currently being paid, and is purely for monitoring purposes and to assist employers with medium term financial planning. The financial assumptions identified in the funding review (see below) had been partly allowed for in the separate monthly monitoring report. Consideration will be given to whether the results of the interim review should be incorporated into the monitoring reports going forwards at the next Funding and Risk Management Group meeting. At the moment they have not been included in the report at 30 September, also referred to in the separate Funding and Investment Performance report. The impact is covered below. The main considerations and outcomes were as follows: i. Actuarial Assumptions at 31 August 2024 Since 31 March 2022, expectations for long-term average CPI inflation have reduced by c0.6% p.a. from 3.1% p.a. to 2.5% p.a. over the duration of the liabilities. This takes into account the current short term inflation rate which has fallen significantly since 2022 (the annual CPI rate at September 2024 was 1.7% and will determine the 2025 pension increase, which compares to the September 2022 CPI of 10.1%). Also, the expected future returns above inflation have increased – this has been predominately driven by the change in interest rates and the impact on the returns of each asset class taking account of the Flightpath strategy. This has already been reflected in the ongoing monthly monitoring reports provided. As part of the review, consideration was given as to whether some further adjustment would be incorporated into the discount rates for past and future service taking into account the overall objective of contribution sustainability for employers. The Actuary proposed that the expected return over CPI inflation of broadly 2.65% p.a. (CPI + 2.65% p.a.) is appropriate at 31 August 2024 in relation to past service discount rate which is equivalent to a discount rate of 5.15% p.a. Consideration was also given as to whether the smoothed future service discount rate (CPI +2.0% p.a. which is equivalent to a discount rate of 4.5% p.a.) should be increased or maintained to balance contribution affordability versus sustainability. The Actuary also considered the latest life expectancy trends from the Continuous Mortality Investigation actuarial group. Allowing for the latest trends reduces past service liabilities by c1.7% and reduce the future service rate by c0.3% of pay. A full analysis of the Fund's own experience is being undertaken as part of the 2025 actuarial valuation which will determine the final assumptions to be adopted, and the results will be considered next year. Membership data at 31 March 2024 At a total Fund level, there has been a shift in the membership profile that has affected the interim review outcomes. Whilst overall numbers have remained broadly consistent (c17,700) according to the data, there has been c5,000 new entrants and c5,000 leavers which has impacted on the

	profile and therefore a projected reduction in the average future service rate by c0.5% of pay. iii. Funding review outcome at 31 August 2024 Taking into account the factors in (i) and (ii) above, resulted in an average funding level of 107% and an average future service rate of 18.0% of pay. This compared to a funding level of 105% and average future service rate of 18.8% of pay at the 2022 valuation. Overall, this could mean a reduction in contributions could be justified if a similar outcome emerges at the 2025 valuation with any contribution change being effective from 1 April 2026. The funding level impact of the membership changes and pay growth was to reduce the funding level whereas the impact of the life expectancy increased the funding level. In isolation, the net overall impact of these profile and demographic changes is a reduction the funding level of c2% versus the expected funding level. The overall potential impact on the future service rate is a reduction of 0.8% of pay. The Committee will be updated further in future committee meetings in 2025 as part of the Funding Strategy Statement development which will include proposed assumptions along with other required policies e.g. a surplus management policy. Fund officers and the Actuary met with the Councils' Steering Group on 14 November to discuss the results of the interim review including the outcomes for the individual Councils and to discuss the overall level of contribution affordability to assist in medium-term financial planning. Also, the Actuary provided a high-level interim update to all employers on 26th November.
1.10	*Oscar Mayer (Pemberton Asset Management)* The Fund has received the below from Unite in relation to Oscar Mayer: *"Oscar Mayer is a food production business that makes ready meals sold in supermarkets across Britain. 550 Unite members working in its Wrexham factory are taking strike action against a fire and rehire scheme imposed by management.* *Unite members at Oscar Mayer make lasagnes, cottage pies and other ready meals sold in major supermarkets across Britain. The work is hard and low paid. Unite members work 12 hours shifts in temperatures as low as five degrees. They make minimum wage or just above - wages have gone down by 16.4% in real terms over the last five years.* *Oscar Mayer management have already sacked around 30 Unite members to force through savage cuts to terms and conditions. Management is forcing through new contracts that reduce workers' time off the production line to just two short 20-minute breaks a day. Under the new contacts, workers won't be paid for this time. Overtime and other benefits for working on bank holidays is also being taken away. All told, the changes will cost workers up to £3,000 a year each.* *This dispute is easily resolvable, but rather than negotiating Oscar Mayer has brought in agency workers to undermine the strike. Unite's demands are simple: an immediate return to previous terms and conditions;*

	reinstatement for sacked workers; no more targeting of union members; and recognition for Unite now as mandated by the Central Arbitration Committee. Pemberton owns 85% of Oscar Mayer. Given its controlling ownership position, it is entirely within Pemberton's ability to intervene with Oscar Mayer management to resolve this dispute. We have reached out to senior decision-makers including Pemberton Managing Partner Symon Drake-Brockman and Oscar Mayer CEO Ian Toal but so far they have failed to respond to Unite's requests to engage in meaningful negotiations. *Unite understands that Clwyd Pension Fund has committed £50m to the WPP Private Debt Fund, 12% (up to £6m) of which will be managed by Pemberton. It cannot be right that the returns Pemberton promises to pension funds that invest the retirement savings of local government workers in Wrexham come at the price of reducing the pay of other modestly paid workers in their community.* *We know that Pemberton regularly raises money from pension funds in the UK and abroad. I am writing to ask you to:* • *pledge that the Clwyd Pension Fund will not allocate any further capital to Pemberton funds until the dispute is resolved and Oscar Mayer scraps its Fire and Rehire scheme;* • *write to the Wales Pension Partnership to communicate the fund's position."* <u>Clarification of Clwyd Pension Fund exposure</u> We can confirm that the Fund has committed £50m to the WPP Private Credit Fund, of which approximately £5.6m is committed to Pemberton Asset Management. This equates to around 0.2% of total Fund assets. Having clarified the position with WPP and Russell, there is no investment in the WPP Private Credit Fund relating to Oscar Mayer, nor any other investment by the Fund or WPP in Oscar Mayer. Neither the Fund nor WPP have any other investment relationship with Pemberton Asset Management, other than through the WPP Private Credit Fund. The Fund's officers, with advice from Mercer, as Investment Consultant, can confirm there are no plans to consider making new commitments directly to Pemberton Asset Management. <u>Proposed next steps</u> The Fund's Responsible Investment policy states: "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." Given this policy and the above information on Pemberton Asset Management, it would appear reasonable to follow-up on this issue. We propose requesting further clarification and explanation from Pemberton, via WPP and Russell, on the situation with Oscar Mayer. In the meantime, until more information is available, officers and advisers

	can continue to monitor whether Pemberton Asset Management is being considered as part of any future commitments. <u>Recommendation</u> The Committee are being asked to: • note the information above, including confirmation that there are no plans for Clwyd Pension Fund to directly invest with Pemberton Asset Management and • agree that the Fund will engage with WPP on the justification of allocating to Pemberton, seeking further clarification and explanation from Pemberton Asset Management on the matter in line with the WPP Responsible Investment Policy.
1.11	**Delegated Responsibilities** The Pension Fund Committee has delegated certain responsibilities to officers or individuals. Appendix 6 outlines the use of these delegated powers. In summary: • 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.

2.00	**RESOURCE IMPLICATIONS**
2.01	None.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 7 provides the Dashboard and Risk Register which highlights current risks relating to investments and funding matters. Some of the risks shown are long-term in nature, and in some cases subject to events outside of the Fund's control e.g. market movements etc. As a result, whilst the risks are monitored on a regular basis and corrective action undertaken where the current position is identified as being off-target, for some risks, the time required to get back on-target will be longer.
4.02	Since the September Committee meeting, as part the regular monitoring of the risk register that takes place through the Advisory Panel, decisions have been taken to update some of the scores/weightings associated within the sub-risk framework established recently. The only changes made that impacts the overall risk status is in relation to Risk no. 3 & Risk no.6. Given the current geopolitical situation following the US Elections in early November and uncertainties around how matters on the world stage

	will develop in the coming months (e.g. the continuing conflicts in the Middle East / Ukraine), the likelihood of a “Black Swan” event occurring which impacts on investment markets and the Funds ability to meet its targets has been increased. This is one of the sub-risks underling Risk no. 3 and the overall impact of this change has seen Risk no.3 move off target relative to its prior position. See further comment below. For Rick no.6 the rating for this risk has been moved to red following MHCLG publishing a consultation on Thursday 14 November on Local Government Pension Scheme (England and Wales): Fit for the Future. The consultation is wide ranging in scope and has potentially far-reaching ramifications given the potential requirements to pool all assets by March 2026, take advice from the pool and the requirement for WPP to be an FCA regulated entity. The likelihood and potential impact from this risk has been increased.
4.03	Three risks (where the current status isn't green) are currently behind target: Risk no. 3: Investment targets are not achieved therefore potentially materially reducing solvency / increasing contributions. • This risk is ongoing in nature given that investment markets are continually evolving. The Fund takes a long-term approach to investing but looks to manage the potential negative impact from short-term volatility by investing in a diversified asset portfolio, an equity protection strategy and a liability risk management approach. There is a robust monitoring process in place, and Officers work closely with advisors to monitor asset and liability risks on a regular basis, including monthly investment days. More frequent monitoring of issues (e.g. daily or weekly) is used, as deemed appropriate. Risk no. 4: Value of liabilities increasing due to market yields/inflation moving out of line from actuarial assumptions. • The risk of the value of the liabilities increasing due to market yields/inflation moving out of line from actuarial assumptions is a complex challenge that requires careful monitoring and strategic adjustments. The projected timeline for addressing this risk and minimising its impact is set for 2025. Efforts are underway to closely analyse and manage the market dynamics, actuarial assumptions, and employer contributions to ensure the surplus maintained. Risk no. 6: Investment and/or funding objectives and/or strategies are no longer fit for purpose. • The risk that LGPS legislation changes (i.e. asset pooling) could increase funding and investment costs which may increase employer costs. Additionally, transitioning assets could negatively impact the Fund's asset value leading to a drop in the value of the surplus. The Fund takes an active approach by considering potential changes at Advisory Panel and Committee meeting, monitoring development over time working with different service providers to keep up to date, and calling emergency meetings where necessary. The projected timeline for addressing this risk and minimising its impact is set for 2025, however the risk is likely to be ongoing in nature as the government reforms the LGPS landscape in relation to asset pooling. The risk will be considered in conjunction with the next investment strategy review and interim

	funding review. The Fund will continue to participate in any central government consultations, as it has done in the latest call for evidence by the Ministry of Housing, Communities and Local Government. Fund officers, Investment Consultants, and the Fund Actuary (Mercer), along with Governance Advisors (Aon), continue to monitor these risks regularly.
4.04	The increase to Risk 6 means that this is now the risk that is furthest from target. Given the length and depth of the consultation the complete risk register will reviewed again once the consultation has been considered in more detail. As part of this review all risks will be considered and we expect that some others will increase in score.
4.05	Fund Officers, its Investment Consultants and Fund Actuary (Mercer), and Governance Advisors (Aon) continue to monitor these risks regularly.

5.00	**APPENDICES**
5.01	Appendix 1 – 2024/25 Business Plan and Business Plan Dashboard Appendix 2 – WPP JGC Draft Minutes 18 September 2024 Appendix 3 – Clwyd Pension Fund PBII Report 2024 Appendix 4 – WPP Responsible Investment Report Appendix 5 – AVC Review 2024 Appendix 6 – Delegated Responsibilities Appendix 7 – Risk Dashboard and Register (Investments and Funding)

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	1.02 The full Joint Governance Committee agenda: https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=7636&Ver=4 **Contact Officer:** Ieuan Hughes, Graduate Investment Officer, Clwyd Pension Fund **E-mail**: Ieuan.Hughes@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **Actuarial Valuation** – A formal assessment of the Fund's financial health, determining employer contribution rates to cover benefits and address any funding shortfalls, as detailed in the Funding Strategy Statement. (b) **Actuary** – A financial risk specialist advising pension funds, primarily responsible for setting employer contribution rates through the actuarial valuation process. (c) **Administering Authority / Scheme Manager** – The authority managing the Fund, responsible for its oversight and stewardship. For Clwyd Pension Fund, this role is held by Flintshire County Council.

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

(e) **Department for Levelling Up, Housing & Communities (DLUHC)** – The UK Government department supporting community development and local governance.

(f) **FRC – Financial Reporting Council** – The UK and Ireland's regulator for auditors, accountants, and actuaries, responsible for corporate governance standards.

(g) **FSS – Funding Strategy Statement** – The key document outlining the strategy for managing employer contributions to the Fund.

(h) **FRMG – Funding & Risk Management Group** – A subgroup of 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 Head of the Clwyd Pension Fund, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser, and Investment Advisor.

(i) **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 an 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.

(j) **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.

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

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

(m) **PBII – Placed-Based Impacting Investing** – An investment approach focused on generating positive social, economic, and environmental outcomes in specific geographic areas. PBII targets local needs opportunities, such as supporting businesses, housing, job creation, and sustainable initiatives, while delivering measurable impact alongside financial returns.

(n) **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.

	(o) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from Mercer, the Fund Consultant. (p) **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. (q) **The Committee – Clwyd Pension Fund Committee** – the Flintshire County Council committee responsible for most decisions relating to the management of the Clwyd Pension Fund (r) **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. (s) **TGE – The Good Economy** – A specialist advisory firm focused on advancing inclusive and sustainable economic growth. TGE provides impact measurement, management, and reporting services, helping organisations align their investments with social and environmental objectives and demonstrates measurable outcomes. (t) **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. (u) **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/**

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Business Plan 2024/25 to 2026/27 – Q3 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
~~x~~	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

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.

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

18 SEPTEMBER 2024

PRESENT: Councillor D.E. Williams (Chair)

Councillors (In Person):

M. Hughes	C. Weaver	M. Norris	P. Lewis
D. Rose	N. Yeowell		

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

Councillors (Virtual):
M. Lewis.

The following officers were in attendance (In person):
C. Moore – Joint Committee Section 151 Officer (CCC);
S. Murphy – Joint Committee Monitoring Officer (CCC);
C. Lee – Corporate Director of Resources (CoC);
I. Hughes – Investment Officer (FCC);
D. Morgan – Head of Finance (GCC);
P. Griffiths – Director Finance and Improvement (RCT);
A. Bull – Head of Pensions (TCC);
A. Parnell – Treasury & Pensions Investment Manager (CCC);
T. Williams – Senior Financial Services Officer (CCC);
C. Gilkes – Simultaneous Translator (CCC);
J. Owen –Democratic Services Officer (CCC) [Note Taker].

The following officers were in attendance (Virtual):
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS);
J. Thomas - S151 Officer (PCC);

Also in attendance to present reports (In Person):
R. Barrack – Hymans Robertson
S. Jones – Hymans Robertson
J. Zealander – Waystone Management;
A. Quinn – Russell Investments
J. Brown – Russell Investments
M. Khan – Russell Investments

Also in attendance to present reports (Virtual):
K. Midl – Waystone Management;
I. Colvin – Hymans Robertson
R. Thornton – Waystone Management;
D. Joyce – Northern Trust;
A. Knell – Robeco (item 11 only);
K. Robertson – Robeco (item 11 only).

Officers present as observers (In Person):
M. Nancarrow - Governance Admin Assistant (FCC).
D. Jones-Thomas – Investment Manager (GCC)
C. Hurst – Pension Fund Manager (PCC)

Officers present as observers (Virtual):
M. Falconer – Pension Manager (CoC).

Also Present (Virtual):
D. Hall-Jones, Member Support Officer.

Chamber, Flintshire County Council County Hall, Mold, CH7 6NB and Remote: 10:00am - 12:40pm

1. APOLOGIES FOR ABSENCE.

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

Member	**Agenda Item No.**	**Interest**
Cllr. C. Weaver	All agenda items	He is a member of the Cardiff & Vale Pension Fund
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.]

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 17TH JULY 2024

RESOLVED that the minutes of the Joint Governance Committee meeting held on 17th July 2024 be signed as a correct record.

4. HOST AUTHORITY UPDATE

[NOTE: Councillors C. Weaver, 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.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

5. RISK REGISTER Q3 - 2024 UPDATE

[NOTE: Councillors C. Weaver, 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 Q3 2024 review. Members were reminded that the purpose of the WPP Risk Register was 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). Joint Committee Members were informed that during the last quarter, a review had taken place on the Training & Resources and Communication Risks. The Joint Committee was appraised of the review outcomes of each of those risks as summarised within the report.

The next review would take place in Q4 2024 and would focus on Investment Section Risks.

In response to a query regarding the inclusion of a risk relating to a change in Government administration, it was reported that such matters were included in the wider Risk Register.

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

6. OPERATOR UPDATE - Q2 2024 REVIEW

[NOTE: Councillors C. Weaver, 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 2, 2024, in relation to the following key areas:

- Market updates;
- Business 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 30 June 2024
- Fund changes in relation to the Global Growth Fund and Sustainable Active Equity Funds

- Market Updates in relation to Russia / Ukraine and the Middle East
- Corporate Update and engagement.

UNANIMOUSLY RESOLVED that the Operator Update be received.

7. PERFORMANCE REPORTS AS AT 30 JUNE 2024

[NOTE: Councillors C. Weaver, 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 30th June, 2024. Members were advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Growth – underperformed by 1.8% gross / 2.2% net
- Global Opportunities – outperformed by 0.7% gross / 0.4% net
- Sustainable Active Equity – underperformed by 6% gross / 6.4% net
- UK Opportunities – underperformed by 0.3% gross / 0.7% net
- Global Government Bond – outperformed by 0.8% gross / 0.6% 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 whilst the Emerging Markets and Sterling Credit Funds exceeded its target.

RESOLVED that the Performance Reports of the following sub-funds as at 30th June 2024 be noted:

7.1 Global Opportunities Equity Fund
7.2 Global Growth Equity Fund
7.3 Sustainable Active Equity Fund
7.4 Emerging Markets Equity Fund
7.5 UK Opportunities Equity Fund
7.6 Global Government Bond Fund
7.7 Global Credit Fund
7.8 Multi Asset Credit Fund
7.9 Absolute Return Bond Fund
7.10 Sterling Credit Fund

8. PRIVATE MARKETS UPDATE - PRIVATE CREDIT

[NOTE: Councillors C. Weaver, 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 report, supported by a presentation given by Russell Investments. In 2023, the Wales Pension Partnership (WPP) launched its initial Private Market Investment programmes. Russell Investments were appointed WPP's Private Credit Allocator, with the Private Credit Investment programme being launched in April 2023. The report provided detailed information the progress to date.

UNANIMOUSLY RESOLVED that the Private Markets Update – Private Credit Update report be received.

9. EXCLUSION OF THE PUBLIC

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

10. SECURITIES LENDING PERFORMANCE REVIEW AS AT 30 JUNE 2024

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors C. Weaver, 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 received the report on the Securities Lending Performance Review as at 30th June 2024 for consideration. The report was presented by Northern Trust.

UNANIMOUSLY RESOLVED that the Securities Lending Performance Review as at 30th June 2024, as detailed in the report be noted.

11. ROBECO ENGAGEMENT SERVICE - Q2 2024 ENGAGEMENT REPORT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors C. Weaver, 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 Q2 of 2024 (quarter ending 30 June, 2024).

UNANIMOUSLY RESOLVED that the Engagement Report for Q2 of 2024 be noted.

12. 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 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

[NOTE: Councillors C. Weaver, 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 2, 2024 (quarter ending 30 June, 2024), in respect of the following funds:-

- Absolute Return Bond (ARB)
- Multi-Asset Credit (MAC)

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 & Climate Risk Reports for the following sub funds be noted:

- **Absolute Return Bond (ARB)**
- **Multi-Asset Credit (MAC)**

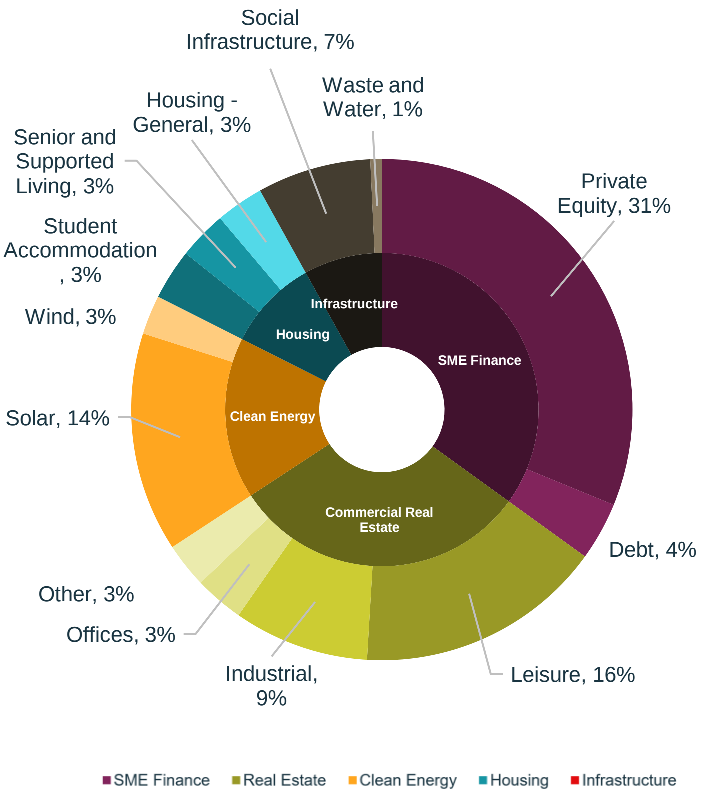
CHAIR **DATE**

As of 31st March 2024

Clwyd Pension Fund are committed to making place-based investments. These are in funds that invest in Wales or contribute to creating positive social and environmental impacts across the UK.

- £217 million committed to place-based investments (8.7% of Clwyd Pension Fund value)
- £60 million committed to funds investing exclusively in Wales
- £115.5 million currently invested in 204 assets across the UK
- Of this, £27 million is invested in 24 assets across Wales
- In the last year £19.7 million has been invested in Wales and a further £16 million in the rest of the UK.

How We Invest (% of amount invested)



How Our Investment is Supporting Wales and the UK

- **73** businesses are currently supported through equity or debt finance, **20** are in Wales. **10** new businesses have received support in the past year.
- These businesses account for over **15,280 jobs** with **8%** of jobs in Wales.
- At least **1,380 new jobs** created since investment with **11%** in Welsh businesses.
- **15** businesses are accredited Living Wage Employers or pay all employees the Real Living Wage, up from 12 businesses last year.

- **20 housing** assets including:
- **8** housing developments consisting of **2,540** homes for over **6,300** people. **26%** of homes are Affordable. **174** homes invested in the past year.
- **8** supported and senior living homes for up to **338** residents.
- **4** developments providing accommodation for almost **1,700** students.

- **39 infrastructure** assets including:
- **35** educational facilities acquired, including **2** SEN schools in the past year, **2,804** additional child spaces created (79% nursery spaces, 16% SEN, 5% independent school places)
- **3** health facilities and 1 water and waste facility

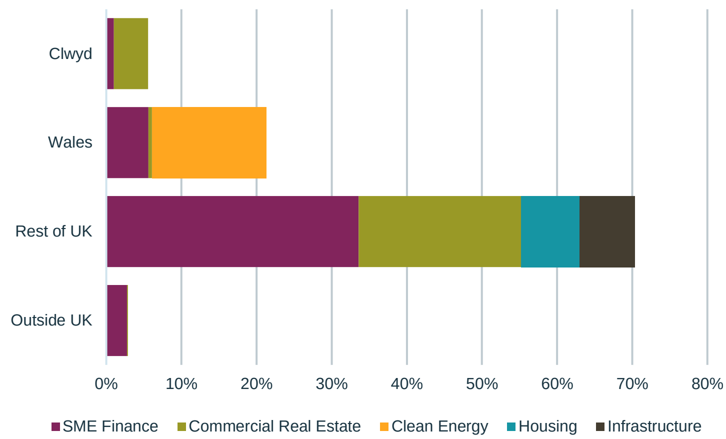
- **67** real estate projects (in development or operational) of which **6** new investments in the past year. Including:
- **36** commercial real estate project supporting employment space for an estimated **7,440** people (28% in the most deprived local authorities in the UK).
- **31** leisure based real estate assets supporting **662** permanent and **109** seasonal Real Living Wage jobs, **16%** of Leisure based assets in Clwyd.

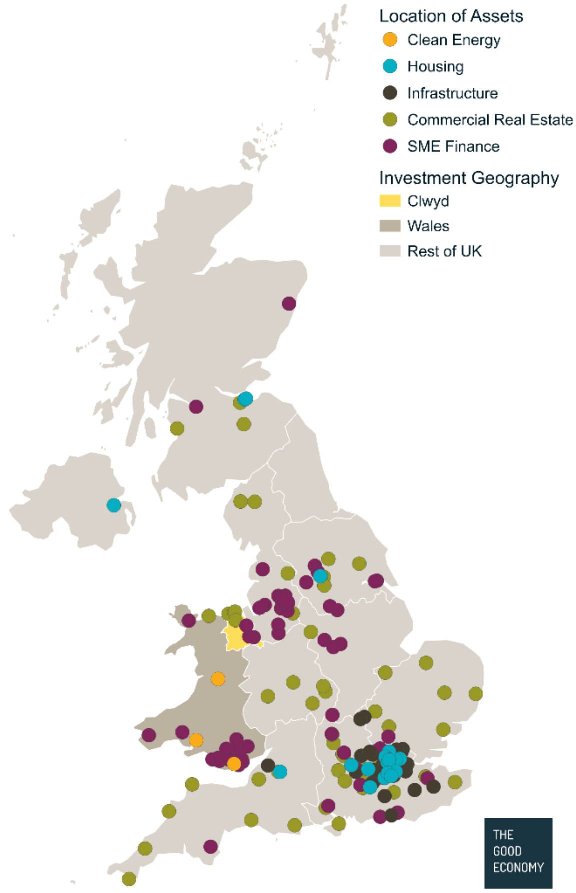
- **£42.7 million** committed to the development of clean energy projects in Wales. See case study.

As of 31st March 2024

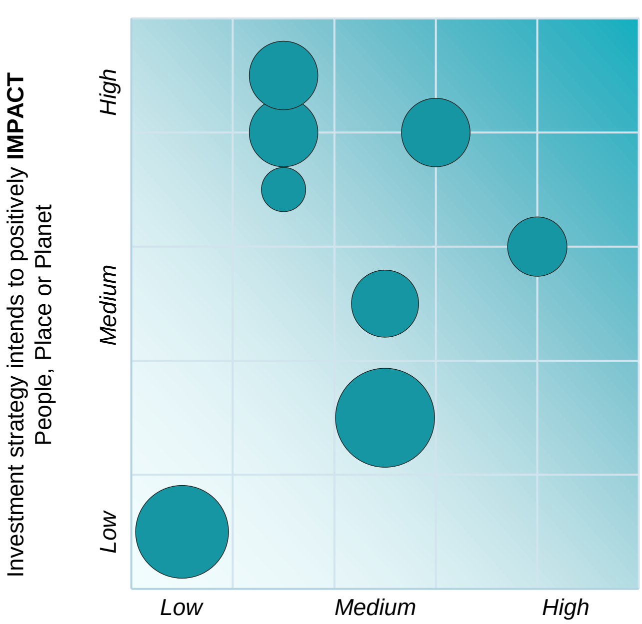
Where We Invest (% of amount invested)

27% of Clwyd's Impact and Place-Based portfolio is invested in Wales



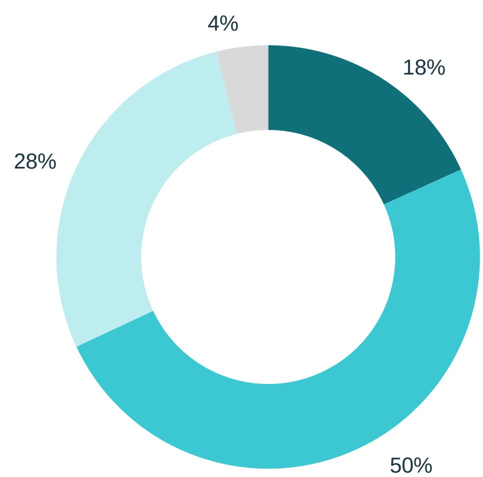


How Our Investments Align With the Traits of Place-Based Impact Investing



Investment strategy considers the needs of **PLACE** and engages with local stakeholders?

Our Type of Impact
(% of amount invested)



Impact Classes

- **Contribute to Solutions**
- **Benefit Stakeholders**
- **Avoid Harm**
- **No Data (May Cause Harm)**

Based on The ABC of Impact, Impact Frontiers

Case Study: Supporting Wales's Commitment to Net Zero

Capital Dynamics CEI (Clwyd) LP

Assets Under Management (AUM)	**£50 million, of which £42.7 million has been committed to three projects**
Clwyd Pension Fund contribution	100%
Target financial return	10%+ net IRR
Impact Objective	Contribute to climate change mitigation by directly investing into low-carbon renewable energy projects in Wales.

In summer 2022, Capital Dynamics entered a partnership with Clwyd Pension Fund to deliver clean energy infrastructure in Wales. The partnership allows Clwyd to invest directly into renewable energy opportunities and contribute to the Welsh government's commitment to net zero and energy transition targets, in alignment with the Welsh Government's National Development Framework. Clwyd approached Capital Dynamics to partner with, drawing on their relationship of over 25 years and Capital Dynamic's experience in the clean energy sector. £50 million has been allocated by Clwyd to invest in four to five renewable energy projects across the development spectrum, from early-stage development through to operating assets. To date, £42.7 million has been committed to three projects, of which £19.3 million has been invested.

Home Farm

Sector: Solar PV
Stage: Operational
Investment commitment: £4.7million, of which 98% has been invested

Clwyd wholly acquired Home Farm which is a 3MW Solar Farm located west of Cardiff in South Wales. It has been operating and generating an income since 2017 and is coupled with a biodiversity site.

Brynrhyd

Sector: Solar PV
Stage: Construction
Investment commitment: £28million, of which 42% has been invested

Brynrhyd is a 30MW Solar site in Pontarddulais, southwest Wales. Clwyd's investment is being used to wholly acquire the project and construct the solar farm. The solar farm is estimated to generate sufficient electricity to power approximately 10,000 homes per year, contribute £3.5 million in gross value added to the economy, and not require government subsidy. 35 jobs will be supported during construction phase. Capital Dynamics has committed to provide a Community Benefit Fund of £53,000 which is intended to financially support local initiatives such as training and education programmes, improvement of physical environments habitats, community facilities and energy efficiency infrastructure, or subsidise community power bills.

Bute

Sector: Onshore wind
Stage: Early-stage development
Investment commitment: £10million, of which 29% has been invested

Bute Energy is a Welsh onshore wind and solar energy park developer with a mission is "to create renewable energy projects that build a healthier, wealthier Wales". The project is estimated to produce sufficient electricity to power approximately 553,112 homes annually. Clwyd's investment is in the form of a loan, which is expected to fund the development of 16 sites across Wales. The investment was made in partnership with Wales Pensions Partnership's Clean Energy Fund (CEI WPP), also managed by Capital Dynamics, meaning Clwyd is co-investing with six other Welsh Pension Funds. It is expected 200 jobs will be supported during construction phase. Capital Dynamics intends to fund £7,500 per MW of operational wind and £1,000 per MW of operational solar projects from the Bute Portfolio into Community Benefit Funds.

As of 31st March 2024

Clwyd Pension Fund's Impact and Place-Based Portfolio

Name of Fund Manager	Name of Fund	Clwyd Pension Fund Commitment (£)	Clwyd Share (% of total committed)	Clwyd Pension Fund Portfolio	Reported: PBII Traits	Reported: Outputs	Reported: IMP Classification
August Equity	AEP IV A LP	£8,000,000	3.6%	Private Equity	🔴	🟢	🟢
August Equity	AEP V A LP	£8,000,000	2.6%	Private Equity	🔴	🟢	🟢
Bridges Fund Management Limited	Bridges Property Alternatives Fund V LP (BPAF V)	£11,000,000	3.2%	Impact	🟢	🟢	🟢
Bridges Fund Management Limited	Bridges Sustainable Growth Fund III LP (SGF III)	£5,000,000	4.0%	Impact	🟢	🟢	🟢
Bridges Fund Management Limited	Bridges Property Alternatives Fund III LP (BPAF III)	£5,000,000	2.4%	Impact	🟢	🟢	🟢
Bridges Fund Management Limited	Bridges Property Alternatives Fund IV LP (BPAF IV)	£8,000,000	3.6%	Impact	🟢	🟢	🟢
Bridges Fund Management Limited	Bridges Sustainable Growth Fund IV(B) LP (SGF IV(B))	£11,000,000	19.3%	Impact	🟢	🟢	🟢
Bridges Fund Management Limited	Bridges Sustainable Growth FundIV LP (SGF IV)	£8,000,000	9.9%	Impact	🟢	🟢	🟢
Capital Dynamics Ltd.	Capital Dynamics CEI (Clwyd), LP	£50,000,000	100.0%	Impact	🟢	🟢	🟢
Darwin Alternative Investment Management	Darwin Leisure Property Fund	£10,000,000	4.4%	Property	🟢	🟢	🟢
Darwin Alternative Investment Management	Darwin Leisure Development Fund	£8,000,000	3.8%	Property	🟢	🟢	🟢
ECI Management Limited	ECI 11 LP	£8,000,000	1.0%	Private Equity	🟢	🔴	🔴
ECI Management Limited	ECI 12 LP	£20,000,000	1.1%	Private Equity	🟢	🔴	🟢
Foresight Group LLP	Foresight Regional Investment III LP	£12,000,000	14.2%	Impact	🟢	🟢	🟢
Foresight Group LLP	Foresight Regional Investment LP	£12,000,000	20.7%	Impact	🟢	🟢	🟢
FW Capital Limited	Management Succession (Wales) Limited Partnership	£10,000,000	40.0%	Impact	🟢	🟢	🟢
Newcore Capital	Newcore Strategic Situations IV LP	£8,000,000	9.5%	Property	🟢	🟢	🟢
Newcore Capital	Newcore Strategic Situations V LP	£15,000,000	8.0%	Property	🟢	🟢	🟢

Key

Reported: PBII Traits	Reported: Outputs	Reported: IMP Classification
Indicates whether Fund manager self-assessed and reported on alignment with PBII traits (meet local needs, stakeholder engagement, intentionality, impact management) for each Fund.	Indicates whether Fund manager reported output metrics for at least one Fund.	Indicates whether Fund manager self-assessed and reported on TGE's adoption of the Impact Management Project's (IMP) ABC Framework, which classifies the impact of assets.

🔴 Information not reported

🟢 Partial or complete reporting

Clwyd Pension Fund and The Good Economy would like to thank all investment managers who participated in the PBII Reporting Framework.

HYMANS ROBERTSON

Responsible Investment Update: Q3 2024

Introduction

This update has been prepared by Hymans Robertson LLP for the WPP. This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds: Global Growth; Global Opportunities; UK Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond; UK Credit. Please note, due to data and metric limitations, the Global Government Bond Sub-Fund is currently not included in this report.

JGC RI activity

- **Climate & ESG risk reports**: MAC and ARB Sub-Funds were presented at the JGC September 2024.

- **Climate & ESG risk reports evolution**: updated reports for EM and UK Opps to be presented at the JGC December 2024.

- **JGC RI workshop**: the JGC had an RI workshop following the September 2024 meeting, where discussions revolved around the newly launched escalation principles.

LAPFF alerts

The third quarter of 2024 saw a LAPFF alerts issued for: Nike (in the Sustainable Active Equity Sub-Fund), outlined below.

Evolution of passive funds

Discussion has been ongoing with Officers in creating a sustainable passive-equity solution.

Stewardship Themes

WPP attended the Robeco LGPS panel in November (ahead of the active-ownership client panel) to discuss stewardship themes of relevance to the LGPS. Discussions on these themes will continue at the client panel at the end of November, with the following discussion points deemed of particular importance: human rights; climate change; biodiversity; sovereign engagement; corporate lobbying; AI.

Simon Jones, Partner

Rachel Barrack, Senior RI Analyst

For and on behalf of Hymans Robertson LLP

Stewardship Summary

Quarter ending 30 September 2024

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across WPP's five Active Equity Sub-Funds while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates.

Acknowledging the importance of corporate performance and transparency around sustainability, including the management of environmental, social and governance (ESG) risks, there has been a rise in regulatory requirements for companies to report sustainability information. However, shareholder approval for 'Say-on-Sustainability' proposals is still lacking, except in a limited number of exceptions, such as in Spain and Switzerland. Robeco believes that a Say-on-Sustainability vote would promote greater accountability and transparency around a company's ESG management and performance, in the same way that Say-on-Pay or Say-on-Climate proposals do. Without having such an agenda item to convey views, investors are instead forced to signal dissatisfaction with a company's sustainability strategy by voting against director elections or other related proposals.

A summary of activity is provided below, with voting broken down between Sub-Funds in subsequent pages. It should be noted that some stocks are common across multiple Sub-Funds and hence votes will be reported against each.

Engagement

Hazardous Chemicals

Over the quarter, Robeco launched the Hazardous Chemicals theme, which focuses on addressing pollution caused by the production and use of PFAs (often referred to as 'forever chemicals'). While a necessary component in industrial processes, the chemicals industry has been linked with adverse impacts on human health and the environment. This is particularly the case with PFAs, which are defined as substances of very high concern, given their impact on human health and the environment, especially considering they don't break down in nature. Robeco has therefore focused its engagements with those companies that produce and use PFAs, given the increased risk of litigation and regulatory crackdown. Robeco will engage companies around their transparency on PFAs use in products and the alternatives that are available. The engagement seeks for companies to develop timelines and action plans to phase out PFAs and create safer alternatives.

UNGC

In 2022, Robeco enhanced its Global Controversy engagement programme, engaging strict escalation strategies into the engagement process and establishing the Controversial Behavior Committee. This has seen companies under engagement enacting robust risk management systems that are underlined by management oversight and ensuring that such practices are substantive, being truly embedded in a company's processes. A further development in Robeco's approach to controversy engagement has been in developing its controversies framework, which has analysed over 1,200 companies around three pillars: impact severity; remediation; prevention. The framework considers impact as well as financial materiality and gives Robeco an extra signal for analysing companies.

Sovereign engagement

As part of its sovereign engagements, Robeco has been engaging g with Australia, one of the world's largest coal exporters, on climate. Over 2023 Robeco had a number of meetings with federal, state and regulatory agencies involved in climate-policy decision-making. With Australia's second NDC ('nationally determined contribution', the emissions reduction targets established under the Paris Agreement) due for publication in 2025, over the quarter, Robeco met with minister and climate-policy advisors to discuss the NDC target-setting process. Robeco outlined why an ambitious NDC target in 20235 will be an important step, not only in preventing transition and physical risk to the economy, but also in showcasing to European investors the green credentials of Australian debt issued by the federal and state governments. As part of the dialogue generally, which has included discussions on Australia's Green Bond Framework, in June 2024, the Australian Office of Financial Management issued its inaugural green bond, enabling investors to back public projects that help drive Australia's transition to net zero by 2050.

Overall voting summary

Breakdown of voting activity			
Number of meetings		174	
Proposals voted		1,924	
Meetings with at least one vote against management		75 (43%)	
For Against Abstain Withold Do not vote 1 year	1,744 176 1 3 0 0	With management Against Management Not applicable	1,731 175 18

Overall engagement summary

Number of engagement cases by topic		**Number of engagement activities by contact type**	
Environment	41	Meeting	12
Social	14	Conference call	64
Governance	9	Written correspondence	92
UN SDGs	42	Other	17
Enhanced	10	**Total**	**185**
Total	**115**		

Key characteristics

Fund value	**£3.5bn**
Underlying managers	Baillie Gifford, Pzena, Veritas

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Amazon	6. Meta
2. Microsoft	7. United Health
3. Elevance	8. TSMC
4. Alphabet	9. Charter Communications
5. Mastercard	10. Nvidia

Source: Waystone

Climate metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	51.3	>98%	125.5	>99%
WACI EVIC (tCO_2e/$EVIC)	24.0	>98%	47.3	>99%
Carbon emissions (tCO_2e/£m invested)	45.3	>98%	98.2	>99%
Holdings with exposure to FF reserves	1.4%	Not applicable	6.3%	Not applicable
Approved Science-Based Targets (%)	41.5%	Not applicable	43.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.6	>97%	5.5	>99%
E pillar	7.3	>97%	6.7	>99%
S pillar	5.1	>97%	5.2	>99%
G pillar	5.9	>97%	5.6	>99%
UNGC violators	0.0%	>98%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Sustainable Active Equity Sub-Fund:

Key Metrics as at 30 September 2024

Key characteristics

Fund value	**£1.6bn**
Underlying managers	Artemis, Mirova, Neuberger Berman, Sparinvest, Wellington

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Microsoft	6. ASML
2. Nvidia	7. Mastercard
3. eBay	8. Iberdrola
4. Visa	9. ING Groep
5. Danaher	10. Thermo Fisher

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	82.0	>99%	125.5	>99%
WACI EVIC (tCO_2e/$EVIC)	43.5	>99%	47.3	>99%
Carbon emissions (tCO_2e/£m invested)	75.5	>99%	98.2	>99%
Holdings with exposure to FF reserves	1.6%	Not applicable	6.3%	Not applicable
Approved Science-Based Targets (%)	60.5%	Not applicable	43.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2024	Fund	Coverage*	Benchmark	Coverage
Overall ESG score	5.9	>99%	5.5	>99%
E pillar	7.1	>99%	6.7	>99%
S pillar	5.5	>99%	5.2	>99%
G pillar	6.1	>99%	5.6	>99%
UNGC violators	0.0%	>99%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Stewardship Summary

Voting Summary (Q3 2024)

Number of meetings		**11**	
Proposals voted		162	
Meetings with at least one vote against management		4 (36%)	
For	154	With management	151
Against	7	Against Management	11
Withhold	1	Not applicable	0

Key votes

Nike (10 September 2024, US)

At Nike's annual general meeting, Robeco voted against the company's Say-on-Pay proposal. Despite acknowledging the improvement made in terms of remuneration in recent years, Robeco still has concerns around the overreliance on one metric for long-term incentive payouts, as well as the lack of quantifiable, pre-set ESG criteria.
On the shareholder proposals, the first requested Nike to report on median gender and racial pay gaps across its workforce. Robeco felt that further transparency here would ensure progress can be tracked and would improve accountability, and therefore supported the proposal, which received 26% investor support.
Two further proposals centred around Nike's responsible supply-chain-management practices. One of the proposals requested the company issues a report assessing the effectiveness of Nike's supply-chain-management practices in aligning with the company's goals on equity and human rights commitments. The other proposal asked Nik to adopt Worker-Driven Social Responsibility principles, emphasising stronger, worker-centered mechanisms for addressing labour violations. Robeco supported both proposals, in line with LAPFF guidance. The proposals received 13% and 12% support, respectively.
The fourth shareholder proposal requested Nike to produce a sustainability report on its self-imposed sustainability targets and strategy. Robeco was supportive of the disclosure request, which received 27% support from investors.

Engagement Summary (Q3 2024)

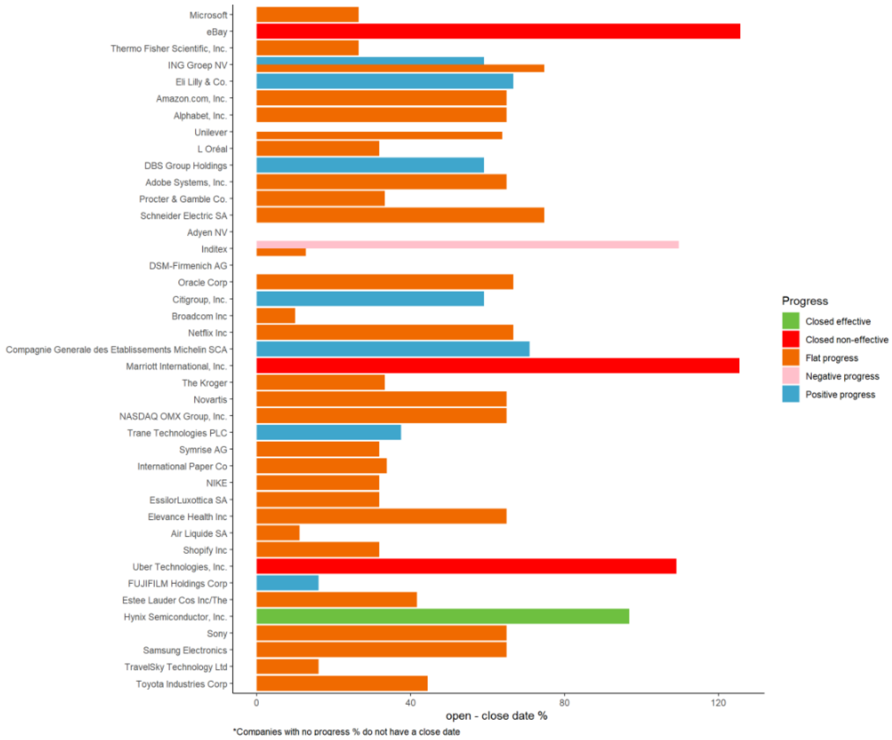
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in the US or the Netherlands. A list of companies by engagement theme is set out below.

Theme	Companies
Acceleration to Paris	Toyota
Biodiversity	Compagnie Generale des Etablissements Michelin, Unilever, Procter & Gamble
Climate Transition of Financial Institutions	Citigroup, DBS, ING Groep
Corporate Governance Standards in Asia	Hynix Semiconductors
Diversity and Inclusion	Eli Lilly, Netflix, Oracle
Fashion Transition	EssilorLuxottica, Estee Lauder, Inditex, L'Oreal, Nike, Shopify, Symrise
Good Governance	Adyen, DSM-Firmenich, Fujifilm, TravelSky, Unilever
Human Rights Due Diligence	Inditex, International Paper Company
Labour Practices in a Post Covid-19 World	Uber, Marriot
Modern Slavery in Supply Chains	The Kroger
Nature Action 100	Ahold
Net Zero Carbon Emissions	Air Liquide
SDG Engagement	Adobe, Alphabet, Amazon.com, Broadcom, eBay, Elevance, Motorola, Novartis, NASDAQ, Samsung, Sony, Trane Technologies
Tax Transparency	Thermo Fisher, Microsoft
AGM engagement 2024	ING Groep, Schneider Electric

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 30 September 2024.



Source: Robeco, Hymans Robertson

Case Studies

Climate

Russell has engaged with its sub-advisor on one of the fund's underlying holdings, a global steel manufacturer, on concerns around decarbonisation and worker health &safety practices. While the steel maker has set decarbonisation targets, but engagements have taken place on setting SBTi-approved targets. In terms of worker health & safety, around a mine collapse, the company has advised it no longer has involvement and has also commissioned a global third-party safety audit, which it will release in the near future.

Multi-Asset Credit Sub-Fund:

Key Metrics as at 30 September 2024

Key characteristics

Fund value	**£740.6m**
Underlying managers	Barings, BlueBay, ICG, ManGLG, Voya

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2024	Fund	Coverage
WACI (tCO_2e/$m sales)	238.0	>23%
WACI EVIC (tCO_2e/$EVIC)	134.8	>19%
Carbon emissions (tCO_2e/£m invested)	374.0	>23%
Holdings with exposure to FF reserves	2.7%	Not applicable
Approved Science-Based Targets (%)	4.7%	Not applicable

Source: MSCI; Hymans Robertson

ESG metrics

Figures as at 30 September 2024	Fund	Coverage
Overall ESG score	5.1	>22%
E pillar	6.2	>22%
S pillar	4.8	>22%
G pillar	5.2	>22%
UNGC violators	3.9%	>24%

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the MAC Sub-Fund, given the nature of the holdings. This may result both in marked fluctuations in metrics from quarter to quarter with the reported metrics while the reported metrics may not be representative of the portfolio as a whole.

The nature of the MAC Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have therefore not shown a benchmark.

Appendix 1: WPP stewardship themes (2024/25)

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 ESG criteria.

Appendix 2: issuers under engagement (Q3 2024)

ENVIRONMENT

Biodiversity
Arcadis
Axfood
Cie Generale des Etablissements
Cranswick
Kimberley-Clark
Leroy Seafood
Procter & Gamble
Ryohin Keikaku
Sappi
Signify
Unilever
VF Corp

Climate and Nature Transition of Financial Institutions
Bank of America
Citigroup
DBS Group Holdings
ING Groep
JPMorgan Chase

Hazardous Chemicals
AkzoNobel
Albermarle
Honeywell

Natural Resource Management
Ambev
CF Industries Holdings
OCI
PepsiCo
Tronox Holdings

Nature Action 100
Ahold
Alibaba Group Holding
Archer Daniels Midland
Britannia Industries
Corteva
LG Chem
Sociedad Quimica y Minera
Wens Foodstuffs

Net Zero Carbon Emissions
Air Liquide
Anglo American
BHP Billiton
BP
BYD
Celanese Corp
CEZ
Chevron
Costco Wholesale
Cummins
Dow
Duke Energy
Ecopetrol
ExxonMobil
Haier Smart Home
Holcim
Hyundai Motor Co
Marathon Petroleum
Petroleo Brasileiro
Phillips 66
Repsol
Royal Dutch Shell
Saudi Arabian Oil Co
Valero Energy

SOCIAL

Diversity and Inclusion
Eli Lilly
Netflix
Oracle

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Booking Holdings
Cemex
Fast Retailing
HeidelbergCement
Hon Hai Precision Industry
Inditex
International Paper Co
IPG Photonics
SolarEdge Technologies
Volkswagen
Wacker Chemie

Just Transition in Emerging Markets
Ganfeng Lithium Group
Impala Platinum Holdings
Reliance Industries
SK Innovation
Tenaga Nasional

Labour Practices in a Post Covid-19 World
Accor
Delivery Hero
InterContinental Hotels Group
Meituan Dianping
Uber Technologies

Modern Slavery in Supply Chains
Associated British Foods
Canon
General Mills
Glencore
Kia Motors
Tesla Motors
The Kroger
Walmart
Wesfarmers

Sound Social Management
Baidu
Post Holdings
Tencent Holdings
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets
CCR
CPFL Energia
ENN Energy Holdings
Haier Smart Home
Hyundai Motor

Corporate Governance Standards in Asia
Inpex
Panasonic
Resonac Holdings
Rohm

Good Governance
Adyen
Ahold
Arcadis
DSM-Firmenich
Fujifilm
Grifols
Heineken Holding
Petroleo Brasileiro
Signify
TravelSky Technology
Unilever

Tax Transparency
AbbVie
Amgen
Apple
McDonalds
Microsoft
Stellantis
Thermo Fisher Scientific

VOTING RELATED ENGAGEMENTS

AGM Engagement 2024
Cummins
Goldman Sachs
ING Groep
Masco

SDGs

Fashion Transition
Adidas
Brunello Cucinelli
Bureau Veritas
Cintas
Compagnie Financiere Richemont
Eclat Textile
EssilorLuxottica
Estee Lauder
Hermes International
Hugo Boss
Inditex
Kering
L'Oreal
L'Occitane International
Levi Strauss
Lojas Renner
Lululemon Athletica
LVMH
MercadoLibre
Moncler
Nike
Novozymes
On Holding
Pandora
Prada
Puma
Ross Stores
Shiseido
Shopify
Silgan Holdings
Symrise
Zebra Technologies

SDG Engagement
AbbVie
Adobe
Alphabet
Amazon.com
Amgen
Apple
AutoZone
Banco BTG Pactual
Broadcom
Capital One

CBRE Group
Deutsche Boerse
Electronic Arts
Elevance Health
F5 Networks
Grupo Bimbo
Haleon
Hitachi
Infosys
Jeronimo Martins
LyondellBasell
Meta Platforms
Motorola
Mr Price Group
Nasdaq
Novartis

OTP Bank
Rio Tinto
Salesforce.com
Samsung Electronics
Sandvik
Sony
Sumitomo Mitsui Financial Group
Total
Trane Technologies
Volvo

Acceleration to Paris

African Rainbow Minerals
Aluminum Corp of China
Anhui Conch Cement
Berkshire Hathaway
Caterpillar
China Longyuan Power Group
China National Building Material Co
China State Construction Engineering
Continental Resources
Hunan Valin Steel
Mitsui & Co
Sany Heavy Industry
Toyota Industries
WH Group

Global Controversy Engagement

Adani Enterprises
Adani Ports & Special Economic Zone
Elsewedy
Lockheed Martin
Mattel
Raytheon Technologies
United Phosphorous
Vale
Zijin

Palm Oil

MP Evans Group
REA Holdings
Wilmar International

Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

Climate change metrics have broad coverage, with data available on the ACWI Investable Market Index, and selected equity indices and non-listed fixed-income issuers. Coverage represents 19,000+ entities including subsidiaries, with ~12,150 entities directly covered (as at April 2023). For ESG ratings, more than 17,220 issuers are covered, including 10,800 that are directly rated.

To note, the metrics used in this report cover corporate issuers, but do not currently cover sovereign issuers. This means that coverage across the fixed-income funds will be lower than among listed-equity funds. In addition, certain products (for example, securitised products) will not return data from the parent issuer, resulting in reduced coverage. The above may result in much lower coverage for the MAC and ARB Sub-Funds in particular. This may also result in marked fluctuations in data output from quarter to quarter.

Metric	Description/Methodology
ESG Rating	A final ESG Rating. At a company level, this represents the weighted average of individual 'E', 'S' and 'G' pillars. The weight given to each pillar is dictated by MSCI's process, which determines the relevance of each pillar to a given company and sector. At a portfolio level, this is the weighted average of individual company scores by the weight in the portfolio.
Environmental Score	The Environmental Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Environment Pillar.
Social Score	The Social Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Social Pillar.
Governance Score	The Governance Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Governance Pillar.
UNGC Violators	This factor indicates the percentage of the portfolio exposed to companies that violate the United Nations Global Compact principles.
Weighted Average Carbon Intensity (WACI)	A measure of a portfolio's exposure to carbon-intense companies. This is expressed in terms of tons of CO_2 equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. This is measured using Scope 1 + Scope 2 emissions.
Weighted Average Carbon Intensity (EVIC)	A measure of a portfolio's exposure to carbon-intense companies. This represents companies' most recently reported or estimated Scope 1 & Scope 2 greenhouse gas emissions, normalised by enterprise value including cash (USD). This ratio facilitates portfolio analysis by allocating emissions across equity and debt.
Total Carbon Emissions	This represents the portfolios estimated Scope 1 + Scope 2 greenhouse gas emissions. This is expressed in terms of thousand tons of CO_2 equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.

Metric	Description/Methodology
% of Portfolio with Ties to Fossil Fuels Reserves	The percentage of the portfolio invested in companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves for coal or proved reserves for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.
% of Portfolio with SBT Approved Target	The percentage of the portfolio invested in companies with one or more active carbon-emissions-reduction target(s) approved by the Science-Based Targets initiative (SBTi).
Scope 1 emissions	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.
Scope 2 emissions	Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Appendix 4: General Risk Warning and Disclaimer

Risk warning

Please note the value of investments, and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property, and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance.

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welcome to brighter

AVC Monitoring Report

Clwyd Pension Fund

November 2024

The report is not for publication as it contains exempt information relating to the financial or business affairs of a particular person as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972 and publication is not in the public interest.

Steve Turner
Sandy Dickson

A business of Marsh McLennan

Contents

Mercer

AVC Valuation

1

Overview – Valuation

AVC Provider	2024 Asset Value	2023 Asset Values	Unit-linked / With profits	Guarantees applying	2024 Number of Members[2]	2023 Number of Members[3]
Utmost	£284,200	£282,002	Unit-linked	No guarantees applied	40 Unit-linked	43 Unit-linked
Prudential[1]	7,314,786	£6,332,493	Unit-linked (c.61%) With-profits (c.39%)	With profits guaranteed bonuses depending on date purchased	432 Unit-linked 296 With-profits	375 Unit-linked 290 With-profits
Overall Total	**£7,598,986**	**£6,614,495**				

Source: Prudential, Utmost.
Note: Utmost 2024 values as at July 2024. Utmost 2023 values as at November 2023. Prudential 2024 values as at June 2024. Prudential 2023 values as at March 2023.

1) The asset value includes Terminal Bonus (2023 c. £739,691 and 2024 c.£736,993) applied for the With Profit funds. This bonus, which is only applied at the time benefits become payable, is not guaranteed. The asset value also accounts for any Market Value Reduction (MVR).
2) Member splits: Utmost data as at July 2024. Prudential data as at June 2024.
3) Member splits: Utmost data as at November 2023. Prudential data as at March 2023.

Performance and charges

2

Prudential – Fund Performance

Prudential have confirmed that the following unit linked funds are invested in by members of the Fund:

Fund	Annualised Performance (%)	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)*	
	Benchmark	Fund	B'mark	Fund	B'mark	Fund	B'mark
UK Equity Passive	FTSE All-Share Index	14.6	12.4	7.1	6.8	5.2	4.9
UK Equity	FTSE All-Share Index	12.1	12.4	3.4	6.8	4.0	4.9
Global Equity	Composite	13.4	13.3	4.8	5.8	5.6	6.0
International Equity	Composite	15.7	14.6	6.9	4.2	8.0	7.7
Positive Impact	MSCI ACWI Index	3.4	19.9	1.3	8.4	n/a	n/a
Discretionary	Composite	11.7	10.8	2.2	3.5	4.1	4.8
Dynamic Growth I	Composite	8.1	8.0	-1.3	-1.3	1.4	0.9
Dynamic Growth II	Composite	8.6	8.8	-0.2	-0.1	2.2	1.8
Dynamic Growth IV	Composite	9.8	10.5	1.7	2.3	3.7	3.8
Fixed Interest	iBoxx Sterling Gilts Index	4.6	3.8	-8.4	-9.4	-4.4	-5.2
Index-Linked	iBoxx UK Gilt Inflation-Linked Over 5 Year Index	-2.0	-2.2	-14.6	-14.7	-8.0	-8.1
Long-Term Gilt Passive	iBoxx Sterling Gilts (15+) Index	0.2	0.2	-16.9	-17.0	-9.5	-9.6
Cash Fund	SONIA 7 Days	4.6	4.7	2.4	2.3	1.4	1.2
Deposit Fund	Bank of England Base Rate	5.2	5.2	2.8	2.9	1.8	1.9

Source: Prudential. Performance as at 30/06/2024 Net of fees for funds invested by members. Benchmark returns have been adjusted for the impact of fees to allow for better comparison.

5 year performance data unavailable for the Prudential Positive Impact Fund.

Note: Funds that have performed within an acceptable tolerance range or outperformed are highlighted green. Funds that have underperformed are highlighted orange

Comments and Considerations

The majority of the funds have outperformed their respective benchmarks over the 1 and 5 year periods. The Positive Impact fund has underperformed its benchmark over the 1 and 3 year periods, however this is consistent with similar funds managed by other providers.

Prudential – Fund Charges

Charges to July 2024	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)[1]
UK Equity Passive	0.55	0.56	0.63
UK Equity	0.61	0.62	0.32
Global Equity	0.65	0.67	0.20
International Equity	0.65	0.68	0.09
Positive Impact	0.65	0.66	0.00
Discretionary	0.65	0.67	0.13
Dynamic Growth I	0.62	0.63	-0.04
Dynamic Growth II	0.62	0.63	-0.04
Dynamic Growth IV	0.62	0.63	0.00
Fixed Interest	0.65	0.66	0.02
Index-Linked	0.65	0.66	-0.01
Long-Term Gilt Passive	0.55	0.56	0.01
Cash	0.55	0.55	0.03
Deposit	N/A	N/A	0.00

Source: Prudential as at July 2024. TER covers all costs to the provider.

[1] Transaction costs over the year to 30/06/2023.

Transaction costs are calculated using ‘slippage cost’ methodology. This compares the price of the stocks being traded when a transaction was fulfilled with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive. A negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

With Profits funds

Prudential With Profits Cash Accumulation Fund – valuations, historic bonus rates and charges

Fund	Number of Members	Fund Value	Terminal Bonus	Market Value Reduction	Transfer Value
With Profits Cash Accumulation Fund	145	£1,658,044	£720,450	£11,501	£2,366,993
With Profits Cash Accumulation Fund Series 2	151	£459,131	£16,543	£3,470	£472,204

- The **Fund Value** is the sum of members' contributions and regular bonuses paid. The recent regular bonus rates are noted in the table below. This value is generally guaranteed (unless a Market Value Reduction applies – see below).
- The **Terminal Bonus** can vary over time and it is not guaranteed.
- Some members are subject to a **Market Value Reduction** ("MVR"). An MVR may be applied if funds are withdrawn at a date other than member's pre-selected retirement date, or on death. Therefore, if an affected member decided to transfer their investments in the fund before their pre-selected retirement date, the MVR would be deducted.
- Therefore, the **Transfer Value** is the sum of the Fund Value and Terminal Bonus with any MVR deducted.

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Regular bonus history	2020 (% p.a.)	2021 (% p.a.)	2022 (% p.a.)	2023 (% p.a.)	2024 (% p.a.)
With Profits Cash Accumulation Fund	1.25	1.00	1.00	1.50	2.50
With Profits Cash Accumulation Fund Series 2	1.25	1.00	1.00	1.50	2.50

- Members invested in the With Profits Cash Accumulation Fund(s) may benefit from guaranteed regular bonuses:
  - A minimum regular bonus rate of 4.75% applies to all contributions paid in scheme years ending before 15 March 1997.
  - A minimum regular bonus rate of 2.50% applies to all contributions paid for scheme years ending between 15 March 1997 and 30 December 2003.

Charges to 15 March 2024 for the With Profits Cash Accumulation Fund (Series 2 included)	Fund charge (% p.a.)	Transaction costs (% p.a.)
	0.96	0.17

Source: Prudential

Note: Fund data as at 30/06/2024. Bonus rate data as 15/03/2024. Transaction costs for the year to 30/06/2023. Please note the fund charge is allowed for in the bonus rates quoted above.

Utmost – Fund Charges & Performance

Utmost have confirmed that the following unit linked funds are invested in by members of the Fund:

Charges to 31 March 2024	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
Managed	0.75	0.87	0.02
Multi-Asset Growth	0.75	0.92	0.00
Money Market	0.50	0.52	0.00

Source: Utmost. Performance and Fund charges as at 01/07/2024. Transaction costs for the year to 31/12/2023.

The table below shows performance to 1 July 2024:

Fund	Annualised Performance (%)	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	Sector Comparator	Fund	Sector	Fund	Sector	Fund	Sector
Managed	ABI Mixed Investments (40-85%)	13.7	11.9	4.7	2.4	4.8	4.4
Multi-Asset Growth[1]	ABI Flexible Investment	15.8	13.2	4.4	3.6	n/a	n/a
Money Market	ABI Deposit & Treasury	5.0	4.4	2.5	2.2	1.4	1.5

Source: Utmost, from provider website. Performance as at 1 July 2024 net of fees for funds invested by members.

[1)] Performance not available 5 years. Fund inception was 01/01/2020.

Comments and Considerations

Performance for the unit linked funds has been broadly in line with or above the sector comparator over all reported periods. More details on the use of ABI sectors as comparators and potential drawbacks are show in the appendix.

Mercer Commentary – AVC Provider

3

Page 560

Prudential Assurance Company (M&G)
Unit Linked

Prudential is the life insurance and pensions provider within the M&G Group. Service performance has continued to show gradual improvement since the pandemic. Prudential makes a lot of investment data available online but response times for non-standard queries can cause delays.

Ownership and Background

Prudential acquired Scottish Amicable in 1997 which continued to exist as a separate brand owned by Prudential until 2001.

In 2019, Prudential plc separated its UK operations and, as a result of this separation, Prudential UK is now owned by M&G plc. M&G is the UK's oldest fund management business which launched the UK's first unit trust in 1934.

Prudential Assurance Company Ltd with profits Sub-Fund is open and is the largest with profits fund in the UK. The Scottish Amicable Insurance Fund is now closed.

Current Issues

Service performance has continued to show gradual improvement with the majority of processes being completed within SLA targets.

Call response times standards are currently being maintained.

The work to increase the level of online data provision and interaction with clients, as well as the roll-out of a self-service website is progressing.

https://www.pru.co.uk/existing-customers/products/additional-voluntary-contributions/

Prudential Assurance Company (M&G)

With Profits AVC Business

Prudential is the life insurance and pensions provider within the M&G Group. Service performance has continued to show gradual improvement since the pandemic. Prudential makes a lot of investment data available online but response times for non-standard queries can cause delays.
Prudential with profits Fund | Investment Guide

Ownership and Background

Prudential acquired Scottish Amicable in 1997 which continued to exist as a separate brand owned by Prudential until 2001.

In 2019, Prudential plc separated its UK operations and, as a result of this separation, Prudential UK is now owned by M&G plc. M&G is the UK's oldest fund management business which launched the UK's first unit trust in 1934.

Prudential Assurance Company Ltd with profits Sub-Fund is open and is the largest with profits fund in the UK. The Scottish Amicable Insurance Fund is now closed.

Fund Management

The Prudential Portfolio Management Group, part of the M&G Treasury and Investment Office, is responsible for the strategic and asset management of the with profits funds.

Assets are managed by a range of external managers together with M&G Investment Managers. Governance oversight is provided by the with profits Committee.

The Committee is appointed by the Prudential Assurance Company Board and will have at least three members, all independent and external.

Current Issues

Service performance has continued to show gradual improvement with the majority of processes being completed within SLA targets.

Call response times standards are currently being maintained.

The work to increase the level of online data provision and interaction with clients, as well as the roll-out of a self-service website is progressing.

With Profits Fund Assessment: Prudential Assurance Company Ltd with profits Sub Fund (Sterling OB business)

Note this includes:

- Prudential with profits Cash Accumulation Fund
- Prudential with profits Cash Accumulation Fund Series 2

Future Performance

5

5

5

Financial Strength **Transparency**

1	2	3	4	5

September 2024

Utmost Life & Pensions (ULP)

Unit Linked

Utmost Life & Pensions was established in 2017 as a newly authorised UK life company run off' specialist – expected to be the operational base for further acquisitions of traditional books of life business. Response times to requests for information can be lengthy.

Ownership and Background

Whilst the firm traces its roots back to 1911, ULP was established in 2017 by Utmost UK Group Holdings Ltd. (UUGH) as a newly authorised UK life company 'run off' specialist – expected to be the operational base for further acquisitions of traditional books of life business. The first of these transactions was announced in June 2018 with the agreement with Equitable Life to transfer all of Equitable's business to ULP – which completed on 1 January 2020 and significantly increased ULP's size.

ULP has no external new business, and the only new business written in 2022 were annuities, sold to existing customers on the vesting of their pension savings contracts (including contracts with GAOs and the Flexible Drawdown product)

Current Issues

Response times to requests for information can be lengthy. In common with most of their peers, updates in respect of developments in respect of the fund range are intermittent.

Note: Immediately prior to their transfer to Utmost, the Equitable with profits policies were converted to unit linked. The company's growth focus includes enhancing its product offering and resources, with a view to widening the choice available to customers seeking to access their pension savings.

[Home (utmost.co.uk)](https://www.utmost.co.uk)
https://www.utmost.co.uk/about-us/history-and-facts/information-about-equitable-life-scheme-and-transfer/

Next Steps

4

Next Steps

It is recommended that AVC members are sent a communication to remind them of their AVCs, the purpose of AVCs and the choices available to them. This is also an opportunity to flag up any concerns on investment performance if applicable.

It should be noted that members in with profits funds with Prudential have terminal bonuses applying on their policies, which are not guaranteed. Market Value Adjustments may also be applied at the point of withdrawal. **Members should be periodically reminded of characteristics of with profits funds and the risk of disinvesting before maturity.**

We also recommend continuing to undertake annual monitoring of their AVCs.

Date of next review
September 2025

More generally, we recommend that the Fund regularly reviews the AVCs held, to check whether members have drawn on their Defined Benefit funds. If this is the case, they may benefit from a reminder that their AVCs are still available and invested.

Please note: This report does not contain regulated investment advice or regulated non-investment related advice. It sets out recommendations deemed appropriate based on the analysis provided in this presentation. Any actions to be taken from these recommendations need to be accompanied by regulated advice in accordance with Section 36 of the Pensions Act 1995.

Appendix

A

Unit Linked Funds

What are Unit Linked Funds?

- Members purchase units in funds which invest according to their particular objective.
- Returns to members are in the form of changes in the value of the unit price.
- Members realise a profit or a loss from an investment when the units in the fund are sold.
- Within the Clwyd Pension Fund, members are invested in 14 unit linked funds with Prudential and 5 with Utmost.

What should we consider when reviewing?

- Tracking error and performance, relative to stated benchmarks, of the funds.
- Any potential value-add from the managers e.g. online services etc.
- Fund charges.
- Mercer ratings, if available.

Overview of typical With-Profit Funds

The chart below sets out the progression of a member's fund value throughout the lifetime of a typical with profits investment. The figures shown are for illustrative purposes only.

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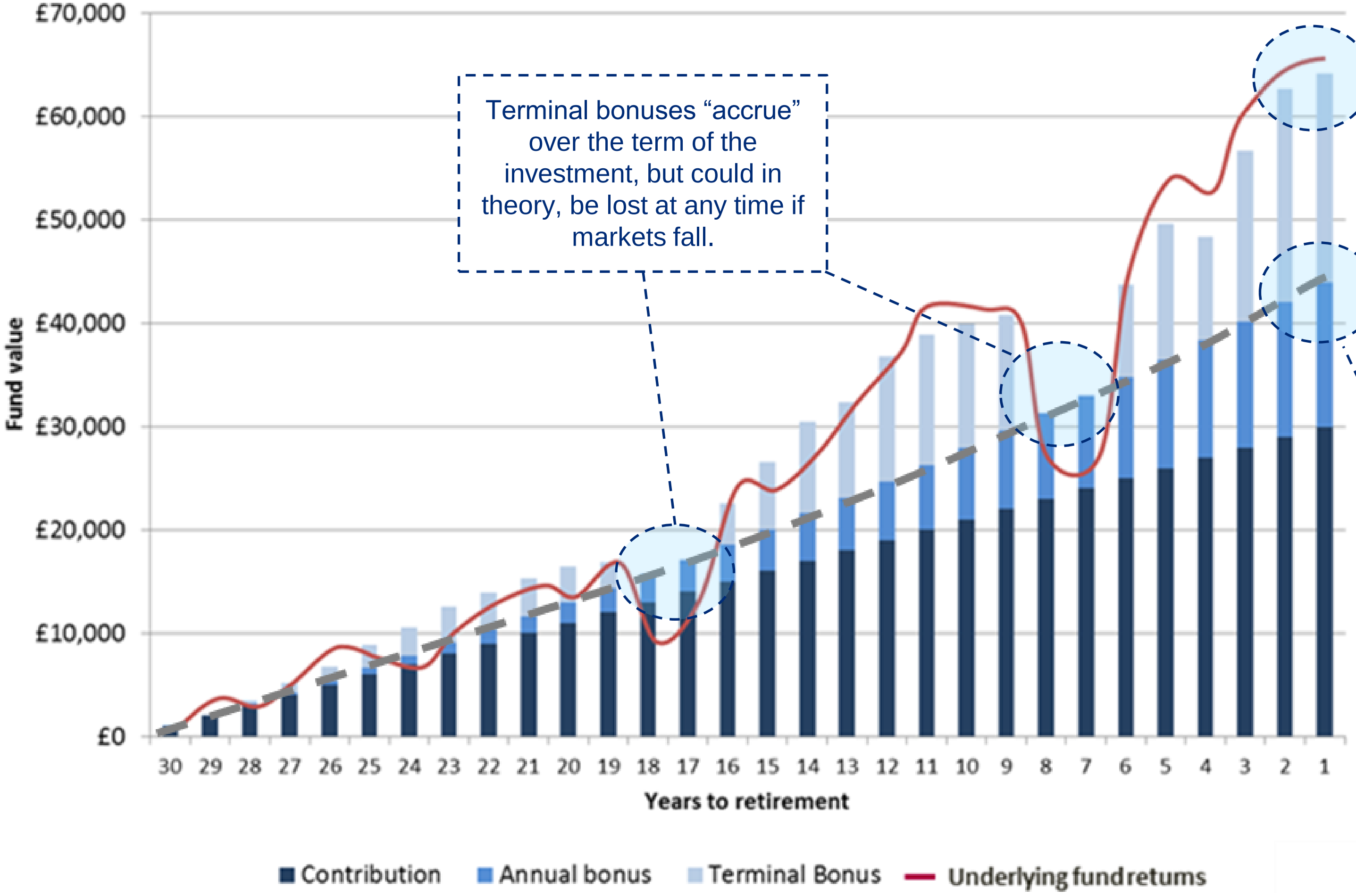

Terminal bonuses "accrue" over the term of the investment, but could in theory, be lost at any time if markets fall.

Returns on the underlying investments can be positive or negative

The net contribution fund plus annual bonuses usually cannot be reduced *(unless disinvested before the members pre selected retirement date)*. This provides a potentially valuable capital guarantee, which is not available on other investments.

Overview of typical With-Profit Funds

The Positives

- with profits funds are typically considered to be a fairly secure medium to long-term investment with reasonable potential performance from a pooled mix of assets including equities, property, bonds and cash.
- The costs of running with profits fund are largely deducted from the fund and what is left over is available to be paid to the with profits investors as “bonuses”:
  - Annual (Reversionary) bonus: which may or may not be partially guaranteed, and
  - Terminal (Final) bonus: a final bonus may be added on disinvestment (switch, transfer, retirement or death) depending on the performance of the underlying fund. These bonuses are payable by most (but not all) with profits funds.
- To avoid big changes in the size of bonuses each year, the insurer will hold back some of the return from ‘good’ years to provide a reasonable return during ‘bad’ years. This is known as “smoothing”.
- Older policies (typically pre 1990) may provide Guaranteed Annuity Rates (GARs) or other pension guarantees (which can be very valuable), more recent policies (up to around 2003) may also provide a Guaranteed Interest Rate (GIR). These may have been withdrawn or reduced for more recent new contributors or contribution increments.

Overview of typical With-Profit Funds

The Less Positives

- Annual Bonuses are a poor indicator of performance. Minimising guaranteed bonuses reduces the proportion of the with profits fund which insurers have to invest cautiously (to protect their solvency position). On the other hand, low bonuses may just reflect poor underlying investment performance and/or low solvency reserves.
- Terminal / Final bonuses can be a huge proportion of the overall return and, in theory at least, they could be withdrawn overnight.
- Guarantees (within the with profits fund rather than a specific policy) can necessitate a more cautious underlying investment strategy, to maintain the insurer's solvency. This can severely restrain future investment performance for other policyholders too.
- Insurers can impose a Market Value Reduction (MVR) if disinvestment is other than (usually) the pre-selected retirement date or prior death. This could more than negate a terminal bonus.
- Historically, payout examples were provided via insurers' regulatory returns, but these ceased to be available in 2017 due to the Solvency II Directive.

AVCs – Why this requires attention

Case Study

Client had a 1,000 person DB Scheme. AVC arrangements were not reviewed over many years

The Scheme had AVCs with:

- Prudential
- Phoenix Life

AVC investments with Phoenix Life were invested in Deposit Funds, and had been since 1998 without the Client undertaking a review on suitability

A Phoenix Life member made a complaint through his IFA citing the Client was not delivering the required level of AVC governance

The Ombudsman ruled in favour of the member which involved significant investigative time from the Client and their advisors

An agreed compensation amount was paid to the member by the Client. All other members invested in the Deposit Fund over this period of time were also included for a compensation payment.

The cost of investigation work to resolve the complaint was £35,000.

The compensation cost for all affected members was £140,000

The Client then reviewed all AVC arrangements. Issues identified were AVC members that had taken main scheme benefits, members who had died, unsuitable investment choices, poor member communications.

Changes were made as a result of the AVC review including consolidating to 2 AVC providers.

Members achieved better outcomes and risks to Client reduced.

ABI Sector Benchmarks

What are ABI sector benchmarks?

The Association of British Insurers ("ABI") maintains a range of sector benchmarks for unit linked life and pension funds. As at October 2022, there were 34 ABI sector benchmarks. ABI sector benchmarks are **peer group benchmarks**. The ABI has full discretion to set and update ABI sector definitions. An independent third party, Refinitiv, categorises unit linked life and pension funds into the sectors and monitors sectors to ensure that funds are categorised correctly on an ongoing basis. The ABI sector benchmarks are designed to facilitate comparisons between similar unit linked life and pension funds.

What are the drawbacks of ABI sector benchmarks?

- In order to create peer groups, ABI sets minimum and maximum exposure limits to certain asset classes within each sector benchmark. In practice, ABI sector definitions are **very broad**, for example:
    - ➢ Equity sector benchmarks are typically required to invest at least 80% of assets in equities. The benchmark does not specify how the remainder is to be invested so up to 20% of the fund could be invested in any other asset class.
    - ➢ "Mixed Investment" sector benchmarks are even broader. Funds within the Mixed Investment 40-85% Shares benchmark may invest anywhere between 40% and 85% of their assets in equities with the remainder unspecified.
    - ➢ "Flexible Investment" sector has no asset class limits and affords managers significant asset allocation discretion – the dispersion of funds in this sector may be sufficiently broad as to reduce its value for relative performance assessment purposes.
- ABI sector criteria may at times **overlap**. One fund may meet the requirements of more than one benchmark.
- ABI reserves the right to **change sector definitions at any time** and without prior notice.

Due to these factors, **funds within the same peer group may exhibit significant dispersion of risk and return characteristics**. A fund benchmarked against an ABI sector may have returns that differ vastly from its sector.

With Profits AKG Ratings

The ratings shown are provided by AKG Financial Analytics Limited (AKG), and are contained within AKG's latest UK Life Office with profits Report. They are shown here with AKG’s prior consent. Further information on AKG’s with profits Report is available at: https://www.akg.co.uk/information/reports/with-profits-reports.

Providers are ranked out of 5 (with 5 being the highest rated) against their competitors (those with profits funds which are broadly comparable).

Financial Strength: This is an assessment of the position and ability of a with profits fund to maintain the operational characteristics specifically required for customers.

Future Performance: The potential for future performance is made up of a variety of different factors including current investment philosophy, company and, if available, fund-level solvency coverage position, overall size of the company, its with profits fund and its capital base, bonus philosophy and Estate distribution.

Transparency: Given there is no industry wide standard when evaluating transparency and openness AKG take a number of criteria into account. including approach to communications (for example in run off) to enable customers to make informed decisions, the extent to which they are subject to independent audit and review as well as the amount, quality and timeliness of information to the various stakeholders.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.01	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

September 2024 Redeem £40m Insight Liquidity Fund
Proceeds £40m 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 30 September 2024 was £76.5m (£47.6m at 30 June 2024). The large increase in cash holdings during the quarter is reflective of the redemption made from the Insight Liquidity Fund in anticipation of the significant drawdown to JPMorgan. There were several Private Market capital calls during the period (drawdowns exceeded distributions by c. £9.2m), and the usual monthly pension payments. The overall cash flow is monitored regularly to ensure there is sufficient funds to pay benefits and capital calls for investments as and when they fall due. Work continues to be undertaken by Officers and the Fund's Consultant and Actuary to monitor the cash flows in the event any unforeseen situations arise. Monthly cash flows for the 2023/24 financial year are shown graphically at the end of the Delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.02	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 September 2024 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Partial redemption Insight Short Date Buy and Maintain Fund – £14.3m (+7.3% crystalised gain)
- Invest £14.3m in LGIM Global Real Estate Equity Index Fund
- Full redemption LGIM Emerging Market Passive Local Currency Government Bong Fund – £28.7m (+3.6% crystalised gain)
- Invest £28.7m in Ninety One EM Sustainable Blended Debt Fund
- Partial redemption NB US Put-Writing Strategy – £14.3m (+5.4% crystalised gain)
- Invest £14.3m in LGIM Over 15 Year Gilts Index Fund

The current allocations within the portfolio following the transactions are:

US Equities	(2.3%)
Japanese Equity	(1.4%)
UK Equity	(0.6%)
Global Property	(0.5%)
Short Bonds	(1.1%)
Long Dated Bonds	(1.4%)
Emerging Markets Government Bonds	(1.1%)
Put-Writing Strategy	(2.7%)

As at the end of September 2024, the Best Ideas portfolio 1 year performance was +9.1% against a target of +5.9% and the 3-year performance was +5.2% p.a. against a target of +7.0% p.a.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.03	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) (6%), Private Debt (3%), and Local / Impact Investing (8%). 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.

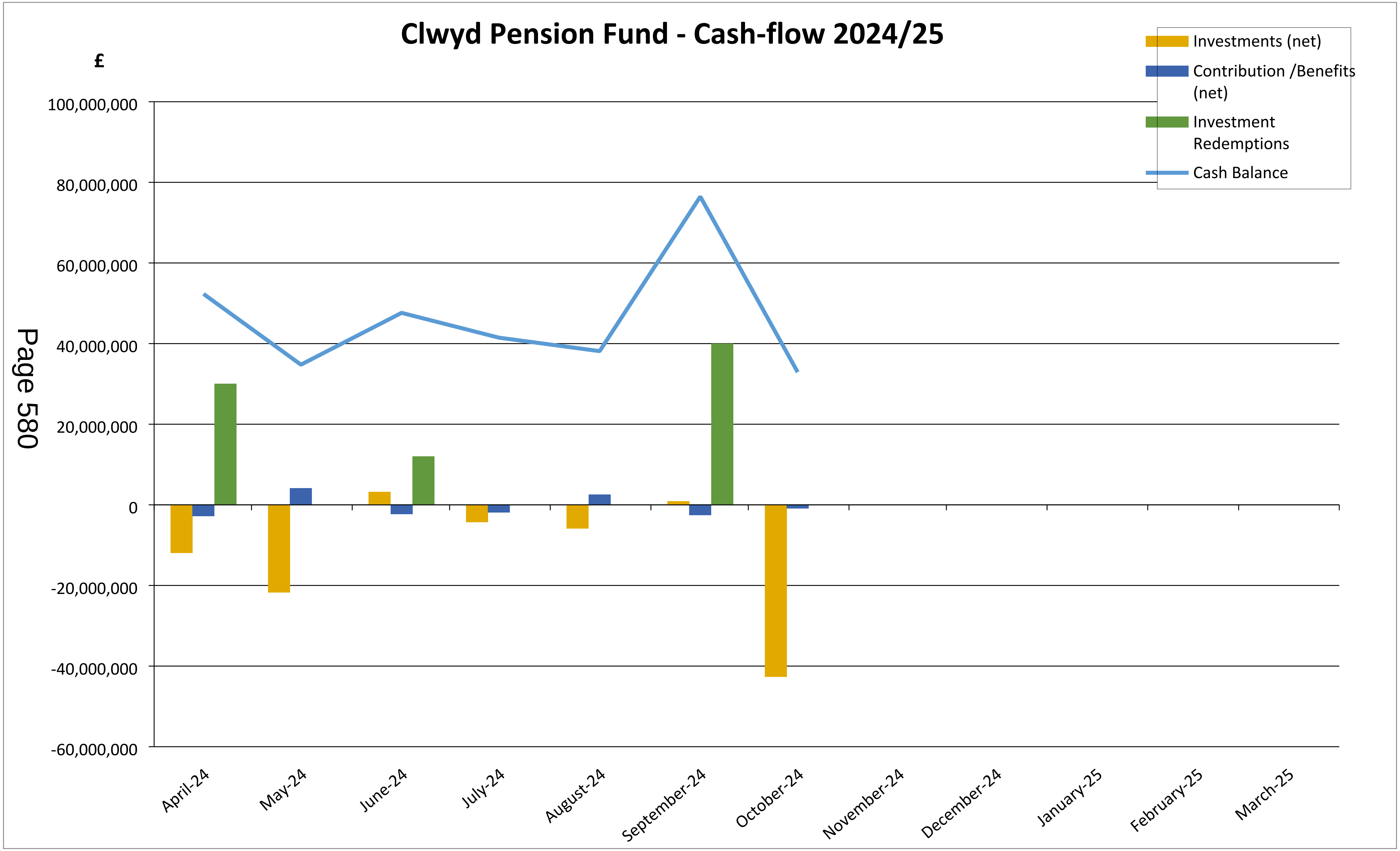
The Private Equity & Real Asset Group (PERAG) of Officers and Consultants meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. All investments made under this remit are referred to as the 'In-House Portfolio'. 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

Since the last committee meeting in September 2024, two additional commitments to existing investments have been agreed and are detailed below and are referenced in 1.06 within the main report.

Infrastructure	JPMorgan, UK Infrastructure I – $38m (£30m)
Local/Impact	Capital Dynamics, Clean Energy Infrastructure (Clwyd SMA) – £30m


Clwyd Pension Fund - Cash-flow 2024/25
£
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
-20,000,000
-40,000,000
-60,000,000
April-24
May-24
June-24
July-24
August-24
September-24
October-24
November-24
December-24
January-25
February-25
March-25

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

Impact	Funding & Investment Risks (includes accounting and audit)				
Negligible					
Moderate					5 7 8
Significant		6	3 9	4 2	1
Major					
Catastrophic					
	Almost Certain	Likely	Possible	Unlikely	Rare

Likelihood

Key

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

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

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

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

20 November 2024

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)	Head of CPF	05/12/2024	30/10/2024
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	March 2025 (market dependent)	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)	Head of CPF	05/12/2024	06/11/2024
3	Investment targets are not achieved	- Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the Fund	materially reducing solvency / increasing contributions	F1 / F2 / F3 / F4 / F7	Significant	Possible		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 11 - Emergency meetings are called where a 'black swan' event occurs.	Significant	Unlikely		😐 Current likelihood 1 too high	02/09/2024	March 2025 (market dependent)	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) 5 - Analysis of exposure to assets in Middle East (PL)	Head of CPF	05/12/2024	06/11/2024
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 6 - Emergency meetings are called where a 'black swan' event occurs.	Moderate	Rare		😐 Current impact 1 too high Current likelihood 1 too high	02/09/2024	March 2025 (market dependent)	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)	Head of CPF	05/12/2024	06/11/2024
5	Value of liabilities/contributions change due to demographics	- This may occur in the event of early retirements - This may occur in the event of pay increases - This may occur in the event of 50:50 take up - This may occur in the event of 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)	Head of CPF	05/12/2024	30/10/2024
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) could increase employer costs - Legislation changes such as other funding and investment related requirements could increase employer costs	increasing deficit / reducing surplus increasing contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F6 / F7/I1	Significant	Likely		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 8 - Additional meetings are called as necessary between officers and advisers to discuss and agree any actions in relation to material events potentially affecting the Fund e.g. US election, Pensions Review etc	Moderate	Unlikely		☹ Current impact 1 too high Current likelihood 2 too high	02/09/2024	March 2025	1 - Consider at the next Investment Strategy Review (PL) 2 - Objectives will be also considered as part of 2024 interim funding review (PL) 3 - Participation in MHCLG LGPS:Fit for the future consultations (PL)	Head of CPF	05/12/2024	06/11/2024
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update - Private Markets distributions could dry up due to liquidity in markets	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 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 6 - Monitor cashflow requirements (including Private Market commitments) to ensure that they have enough liquid assets to pay the benefits when needed 7 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date) 8 - 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)	Head of CPF	05/12/2024	30/10/2024
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)	Head of CPF	05/12/2024	30/10/2024

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
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 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 Investment Strategy is not sustainable and does not address all areas of being a Responsible Investor	F1, F4, F8, I1, I2, I3	Significant	Possible		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 7 - Additional meetings are called as necessary between officers and advisers to discuss and agree any actions in relation to material events potentially affecting the Fund e.g. US election, Pensions Review etc	Significant	Unlikely		Current likelihood 1 too high			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) 4 - Engagement with top emitters in line with climate engagement target list (PL) 5 - Participation in MHCLG LGPS:Fit for the future consultations (PL)	Head of CPF	05/12/2024	30/10/2024

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

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday 27 November 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 over the period ending 30 September 2024, as well as the funding and risk management framework. Separate reports covering these areas are attached as appendices.

Economy and Markets

- Central banks including the US Federal Reserve ("Fed") cut interest rates prompted by the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth.
- Equity markets performed well in response to rate cuts. There were however temporary periods of volatility caused by uncertainty around the US election, unwinding of the US dollar-Japanese yen carry trade and tensions in the Middle East.
- In the UK, Gilts rose in value as yields fell and inflation fell to 1.7% in September, down from 2.0% in June.

Performance Monitoring Report

- The Fund's total market value increased by £55.0m to £2,505.3m over the three-month period, allowing for net cash outflows of £10.2m.
- Overall absolute performance over 3 months, 12 months, 3 years and 5 years; +2.3%, +14.5%, +2.9% p.a. and +5.6% p.a., respectively.

Funding and Risk Management

- The estimated funding position was 109%, which is ahead of the expected funding level from the 2022 valuation by 5%.
- The total gain since inception of the synthetic equity strategy is c. £210m.
- 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.

REPORT DETAILS

1.00	INVESTMENT PERFORMANCE AND ECONOMIC RELATED MATTERS

1.01 **Economic and Market Update**

The economic and market update for the quarter from the Fund's Investment Consultant is attached in Appendix 1. The report contains the following key sections:

- **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators.
- **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets.
- **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period.
- **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period.

1.02 **Performance monitoring report**

Over the quarter the Fund's total market value increased by £55.0m to £2,505.3m, after allowing for net cash outflows of £10.2m.

Movement over the 12-month period saw positive performance from all asset classes, with the exception of private markets property, local/impact, timber/agriculture and private debt.

Total Fund performance against its benchmark is shown below:

Total	**Quarter (%)**	**1 Year (%)**	**3 Years (% p.a.)**	**5 Years (% p.a.)**
Total Fund	**+2.3**	**+14.5**	**+2.9**	**+5.6**
Total Benchmark	+3.1	+17.3	+5.0	+6.7

A full performance breakdown of each of the underlying mandates is provided in Appendix 2.

1.03 **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 relative performance as it returned +17.9% against an objective of +22.2% over the 1-year period. Relative performance for Q3 was, however, positive.

The Fund's private market holdings also underperformed over the 12-month period, returning -1.1% against a benchmark return of 9.1%. This

	relative performance was driven by weak returns from Property, Timber/Agriculture and Private Debt allocations, as well as relatively 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 and Private Debt investments have returned 12.1% p.a. and 8.2% respectively, so there is no concern from a long-term perspective. 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 WPP Multi Asset Credit allocation and Tactical Asset Allocation portfolio continue to provide strong returns, returning +14.6% and +9.1% respectively and over a 12-month, outperforming their benchmarks by +5.1% and 3.2%, respectively.
1.04	**Performance Highlights** The strongest absolute returns over the quarter came from Risk Management Framework (+6.5 %) and WPP Multi Asset Credit (+5.0%) allocations. Over the 12-month period, WPP Sustainable Active Equity Fund and WPP Infrastructure assets generated the strongest absolute returns, returning +17.9% and +15.9%, respectively. Over the same period, the Risk Management Framework ("RMF") also generated strong returns of +37.2%. The RMF is made up of several components including liability driven investment, equity protection and 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.
1.05	**Asset Allocation** All portfolio allocations are within the agreed strategic tolerance with the exception of the Risk Management Framework and Local/Impact allocation, which are marginally underweight. These tolerances are being addressed as part of ongoing monitoring and commitments, where appropriate. The total credit allocation is close to its upper benchmark range at the end of September 2024. This is as expected given the decision to top up WPP Multi-Asset Credit fund in order to support cashflow needs, through income generated by that fund.
1.06	**Update on Funding and the Flightpath Framework** The estimated funding level was 109% as at 30 September 2024, which is ahead of the expected position when measured relative to the 2022 valuation expected funding plan by 5%. 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. 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 will consider if a new funding level trigger should be adopted and make a recommendation to Committee. The funding level continues to be monitored approximately by Mercer on a daily basis. The 2024 interim review has been completed and details of the high-level outcome is shown in a separate report.
1.07	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. 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.
1.08	Based on latest data available from Insight, Mercer's analysis shows that the management of the Insight Liability Hedging mandate is rated as "green" as at 30 September 2024, meaning it is operating in line within the tolerances monitored by Mercer.
1.09	**Update on Risk Management Framework** **Synthetic equity and equity protection strategy** Within the Risk Management Framework, the Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer contributions (all other things equal) in the event of a significant equity market fall, although it is recognised it will not protect the Fund in totality. Importantly, over the longer-term the increased certainty from the equity protection strategy allows the Actuary to include less prudence/buffer in the Actuarial Valuation assumptions; this translates into lower contributions at each valuation (all other things equal), whilst maintaining the equity exposure. The Fund has a bespoke synthetic equity and equity protection strategy, which is implemented through a Total Return Swap ("custom TRS")

	contract with JP Morgan, held within the Insight 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. As at 30 September 2024, the total performance since inception of the custom TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £209.8m.
1.10	**Currency hedging update** Overall, the action to hedge the Fund's developed equity currency risk has resulted in a loss of £0.4m 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.

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

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

4.00	**RISK MANAGEMENT**
4.01	The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk. Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long-term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.
4.02	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Funding and Investment risks: F1 - F6, F8, I1 – I3
4.03	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound, which would be detrimental to the Fund's deficit. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.

5.00	**APPENDICES**
5.01	Appendix 1 – Economic and Market Update – 30 September 2024 Appendix 2 – Performance Monitoring Report – 30 September 2024 Appendix 3 – Monthly Monitoring Report – 30 September 2024

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	A list of commonly used terms are as follows: (a) **Actuary -** A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise. (b) **Administering Authority or Scheme Manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (d) **Annualised –** Figures expressed as applying to 1 year. (e) **Clwyd Pension Fund (the "Fund")** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (f) **Clwyd Pension Fund Committee (the "Committee") -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (g) **Duration –** The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.

	(h) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employer's contributions to the Fund (i) **ISS – Investment Strategy Statement** The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund (j) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of (k) **Market Volatility –** The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. (l) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cash flows. (m) **Relative Return –** The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark. (n) **Three-Year Return –** The total return on the fund over a three-year period expressed in percent per annum. (o) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cash flows. (p) **TPR LDI Guidance** – Guidance issued by the Pensions Regulator in April 2023 covering the use of leveraged liability-driven investment by pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/liability-driven-investment) (q) **Vanilla/unhedged Synthetic Equity** – Derivative contracts that enable the Fund to gain exposure to broad equity markets with no embedded equity protection. The change in value of vanilla contracts is perfectly correlated to the change in the value of broad equity market indices. (r) **Yield (Gross Redemption Yield) –** The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows. Further terms are defined in the Glossary in the report in Appendix 3 and a comprehensive list of investment terms can be found via the following link: https://www.schroders.com/en/global/individual/investment-glossary/.

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Clwyd Pension Fund
Economic and Market Update
Q3 2024

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MARKET BACKGROUND Q3 2024

In the third quarter of 2024, developed market ("DM") central banks including the US Federal Reserve ("Fed") cut interest rates. DM central banks were prompted to loosen monetary policy amidst the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth. Notably, the Bank of Japan ("BoJ") diverged from other DM central banks and hiked rates by 0.15% in July given the impact of robust wage negotiations on inflation. Market sentiment over the quarter tilted back towards a soft-landing as fears of a US recession – which gripped markets in early August – quickly subsided. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. That said, uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets.

US real GDP increased at an annual rate of 3% in Q2 2024 against an increase of 1.6% in Q1 2024. The increase reflects upward revisions to private inventory investment and federal government spending that were offset by downward revisions to non-residential fixed investment and exports. Headline US inflation fell over Q3 2024, decreasing to 2.5% in August from 3% at the end of June. Core US inflation has been declining in recent months. The Federal Reserve, at its September meeting, decided to cut interest rates, lowering the target range of the fed funds to 4.75%-5.0% from 5.25%-5.5%. The median dot in the Summary of Economic Projections (SEP) showed 50bp more cuts in 2024.

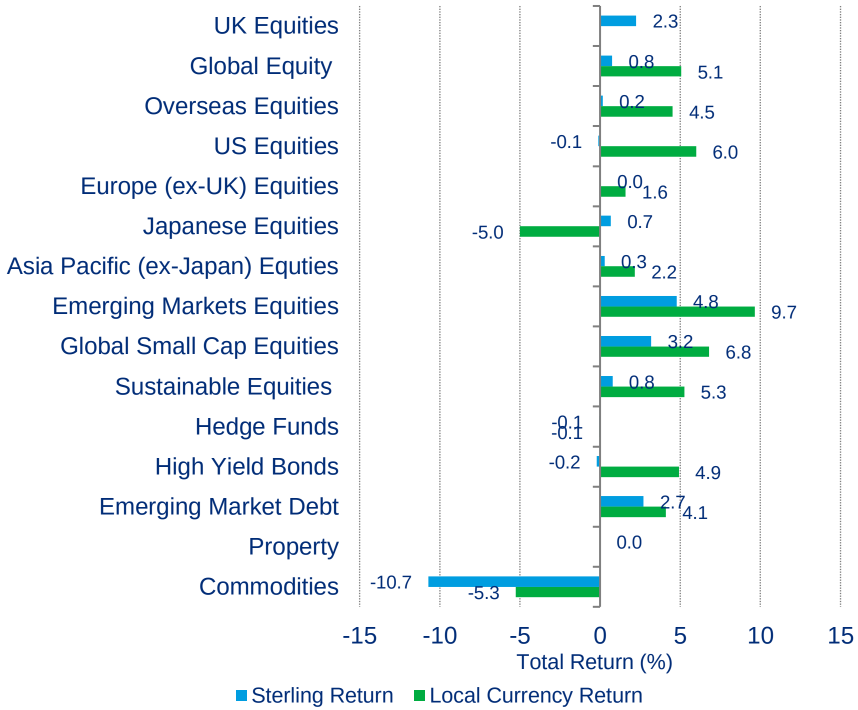
Chinese GDP grew 4.7% (year-on-year) in Q2 2024, lower than 5.3% in Q1 2024, and the weakest yearly advance since Q1 2023, amid a persistent weak property market, subdued domestic demand and falling yuan. China's central bank announced a major package of measures aimed at supporting economy's recovery. The People's Bank of China (PBoC) lowered its one-year policy loan rate, known as the medium-term lending facility (MLF), by 30bps to 2.0% from 2.3%.

Q2 Japan's GDP expanded by an annualized 2.9% in the second quarter from the previous three months. largely due to downward revisions in corporate and personal spending. The Bank of Japan in July raised its key interest rate to 0.25% from 0-0.1%,

In Q2 2024, seasonally adjusted GDP increased by 0.6% in the euro area. Spain (+2.9%) recorded the highest increase, followed by Portugal (+1.5%) and Lithuania (+1.4%). The ECB reduced interest rates following their September meeting to 3.50% for the deposit facility. Headline inflation in the eurozone fell to 1.8% in September from 2.5% in June.

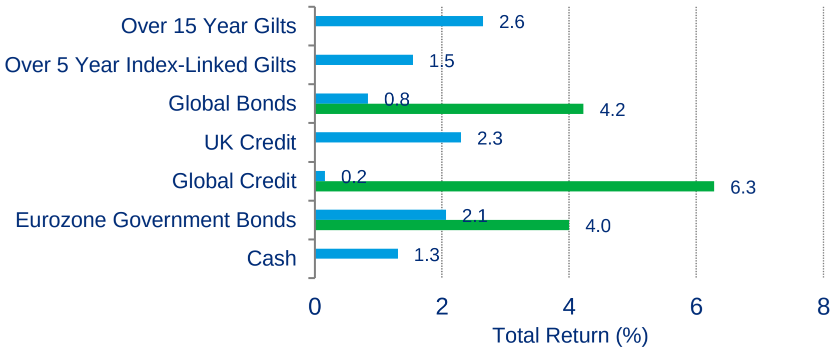
UK GDP grew by 0.5% in Q2 (quarter-on-quarter), slightly lower than 0.7% in Q1. Headline inflation in the UK rose to 2.2% in August from 2.0% in June. This was led by a jump in air fares. However, the rise in air flights was offset by lower fuel prices and prices in restaurants increasing more slowly.

Growth Assets- Index performance



Source: Refinitiv. Property performance is show for the two months to 30 Aug 2024

Defensive Assets- Index Performance



Source: Refinitv

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Equity Market Review

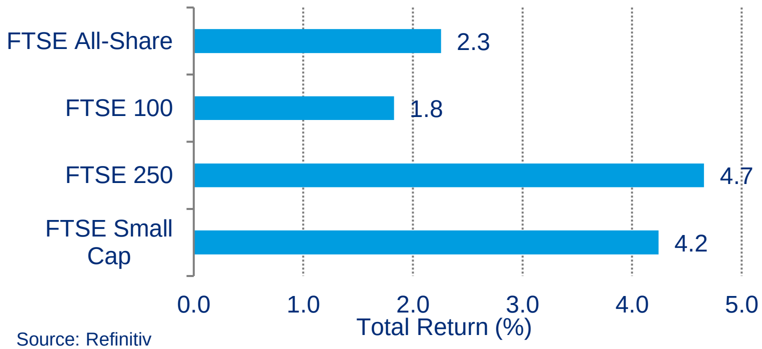
Global equities returned 0.8% in sterling terms and 5.1% in local currency terms as sterling appreciated against the US dollar.

Q3 2024 has been another positive quarter for equity markets. However, volatility was heightened in early August. The quarter saw the ripple effect of the unwinding of the US dollar-Japanese yen carry trade, US employment data surprising to the downside and the unemployment rate rising. Despite this, forthcoming US economic data remained upbeat. Global equities rose later in the quarter as major central banks continued to ease their respective policy rates, with the US Federal Reserve joining them. Chinese equities surged near the end of the quarter after authorities committed to provide further monetary and fiscal support to boost activity.

Within equities, emerging markets ("EM") outperformed DM. Emerging markets equities returned 4.8% in sterling terms (9.7% local currency). Emerging market equities strengthened considerably towards the end of the quarter driven by Chinese equities. US equities returned -0.1% in sterling terms, compared to 6.0% in local currency terms, whilst European (ex-UK) equities returned 0.0% in sterling terms and 1.6% in local terms. Japanese equities returned 0.7% in sterling terms and -5.0% in local currency terms. The Japanese yen appreciated versus all major currencies (including 13% against the US dollar) over the quarter which hampered local currency returns. Global small-cap stocks returned 3.2% in sterling terms (6.8% in local currency), supported by easing monetary policy.

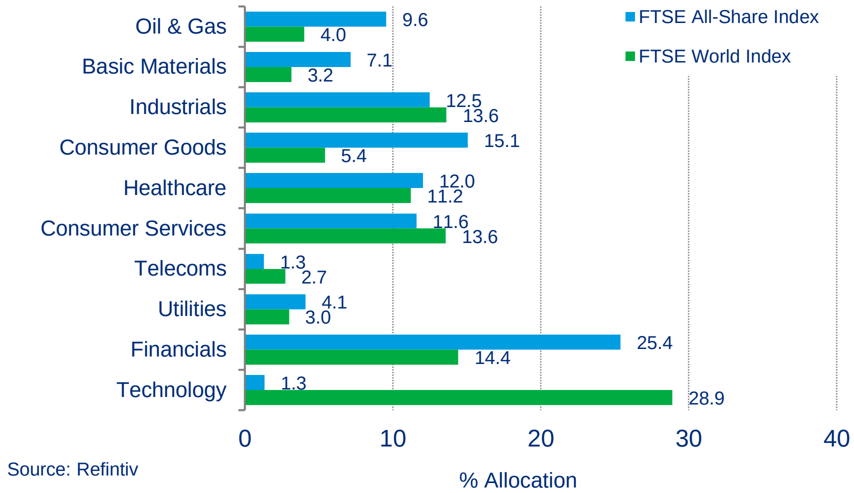
The FTSE All Share index returned 2.3% over the quarter, with the large-cap FTSE 100 index returning 1.8%. More domestically focused equities (FTSE 250) produced positive returns of 4.7%. The small-cap index produced a positive 4.2% return. Strong performance in consumer goods and telecom supported the UK performance relative to global equities.

Market Percentage Performance by Cap – Q3 2024



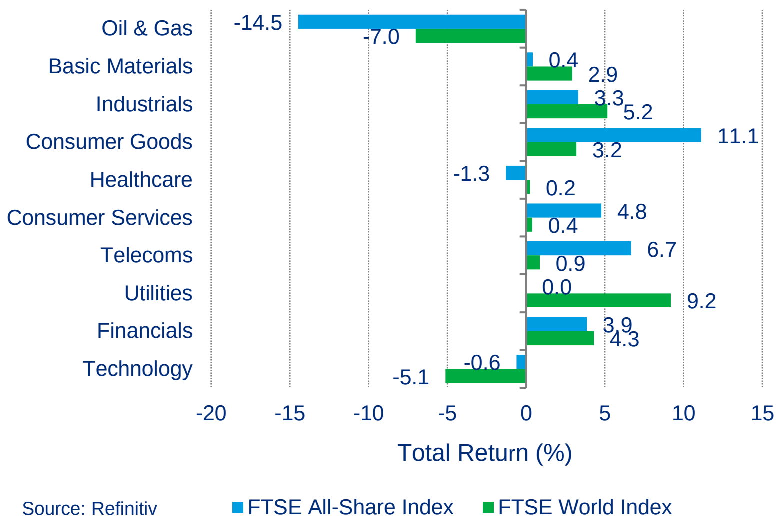
Source: Refinitiv

Industry Tier Allocation at 30 September 2024



Source: Refintiv

Percentage performance by Industry Tier- Three months to 30 September 2024



Source: Refinitiv

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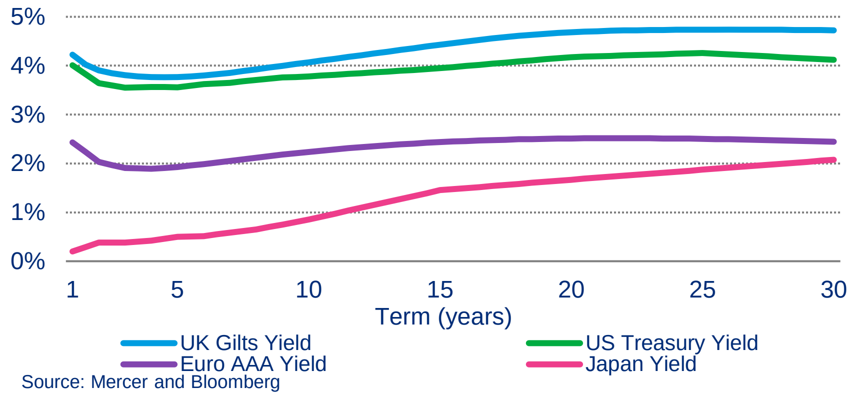
Bond Market Review

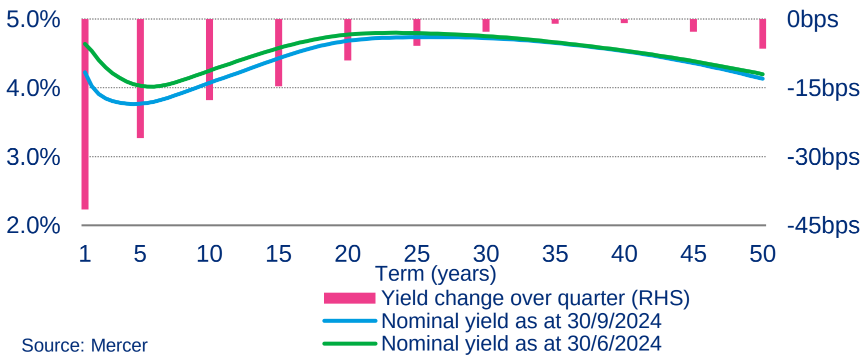
Government Bond Yield Curves



Source: Mercer and Bloomberg

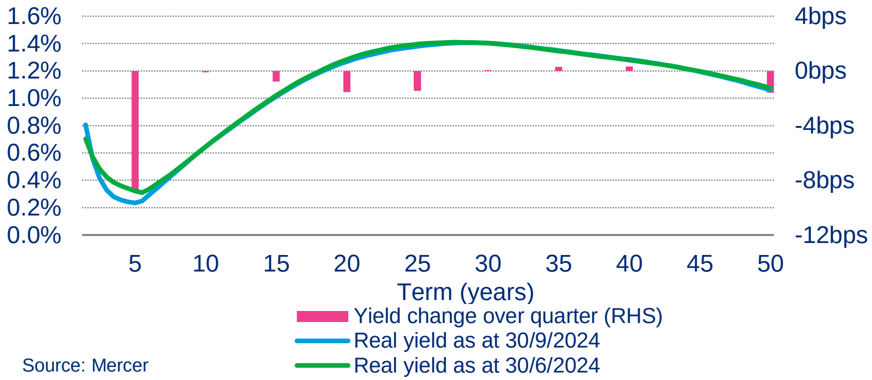
Global government bond yields (ex-Japan) declined over the quarter as most DM central banks cut interest rates. In the US, softening inflation and cooling labour markets led the Fed to cut interest rates by 50bps and for bond markets to price aggressive easing cycle. In Europe and to a lesser extent the UK, the gradual deterioration in economic outlook strengthened the case for more rate cuts. The 10-year benchmark bond yield in the US, UK, and Germany fell 0.62%, 0.17%, and 0.38%, respectively, in Q3. Interestingly, the 10-year JGB yield also moved lower by 0.20% during the quarter on prospects of delayed rate hikes and political jitters stemming from leadership under a new Prime Minister.

Changes in the UK Bond Yield Curve over the Quarter



Source: Mercer

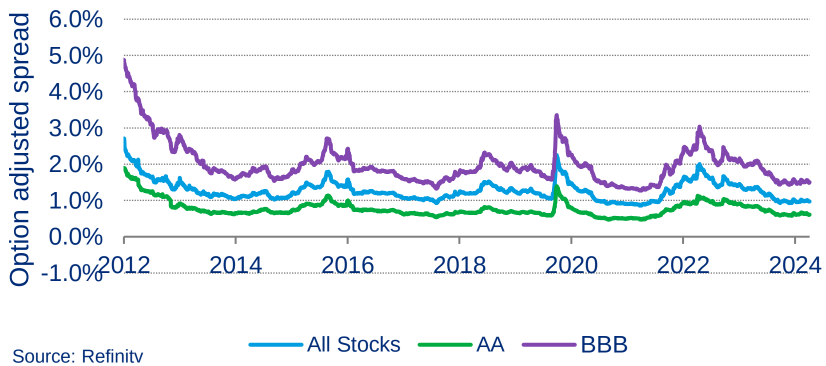
Changes in the UK Index-Linked Gilt Yield Curve over the Quarter



Source: Mercer

UK real yields fell across most of the curve over the last quarter. The 10-year tenor remained largely flat. 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 ~3.40% (0.19% lower over the quarter).

ICE BofAML Sterling Non-Gilts Indices Credit Spreads



Source: Refinitv

Spreads on UK investment-grade credit remained flat at 97bps over the quarter across the credit quality spectrum, with spreads for AA-rated credit at 61bps, and that of BBB-rated credit at 150bps.

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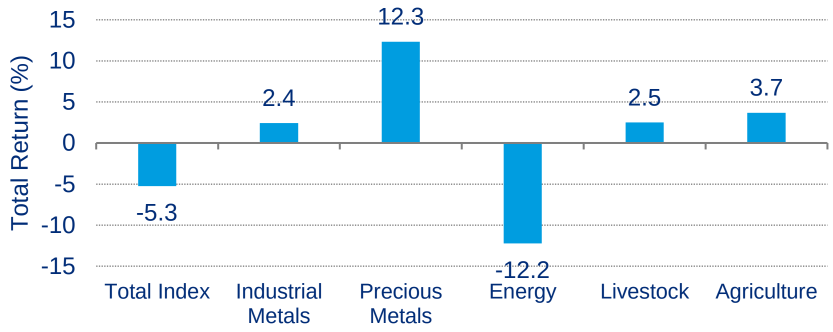
Commodities

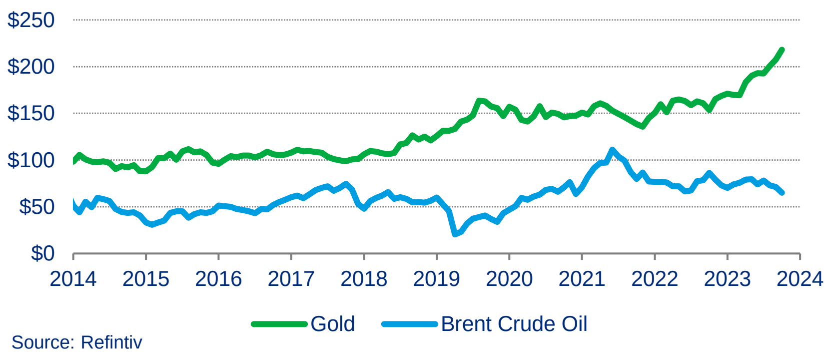
S&P GSCI Index in US Dollars - Commodities Q3 2024 Sector Performance



Source: Refinitiv

Commodity prices decreased over the quarter mainly due to a fall in energy prices, amidst subdued demand from China and robust supply in the US. Within industrial metals, iron ore prices have been severally affected due to slowdown in the Chinese property market. Within precious metals, gold's surge has been driven by a combination of monetary policy easing, EM central banks buying, geopolitical tensions, and market uncertainty. Also, seasonal demand from select emerging markets has driven gold prices. Agriculture prices rose over the quarter as cocoa and coffee prices rose.

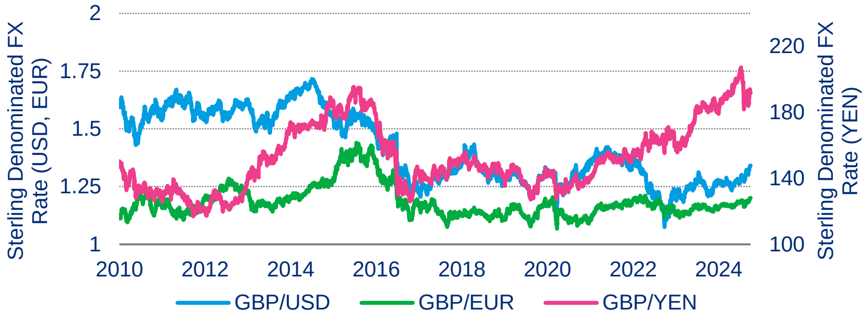
Change in US Dollar Price to 30 September 2024 - Gold and Brent Crude Oil - Rebased to $100 on 31 December 2013



Source: Refintiv

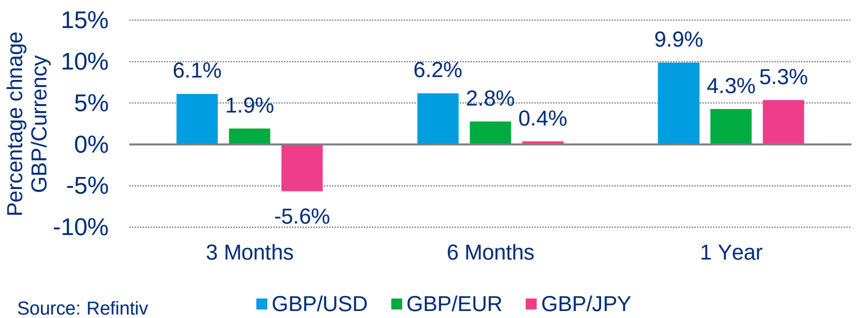
Currency Market Review

Sterling Denominated FX Rates



Source: Refinitiv

Change in Sterling against Foreign Currencies



Source: Refintiv

Sterling outperformed against most major currencies, barring the Japanese Yen, during the third quarter. Sterling appreciated 6.1% and 1.9% against the dollar and euro, respectively, while weakening 5.6% against JPY. The US dollar index weakened ~5% over the quarter as the Federal Reserve cut interest rates amid cooling inflation. On a 12-month basis too, sterling strengthened significantly, rising 9.9%, 4.3% and 5.3%, against USD, EUR and JPY, respectively.

 This appendix was written on 3 Oct 2024.

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Mercer

Clwyd Pension Fund

Monitoring Report Quarter to 30 September 2024

Steve Turner

November 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

Contents

Overview

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Executive Dashboard

Page 7 — Asset Allocation

Assets are broadly in-line with their strategic target weights. Risk Management Framework and Local/Impact are the most underweight (-2.6% and -2.0% respectively). The actual overall exposure to equities is closer to the target position when allowing for synthetic equities.

Total Credit is the most overweight (+1.5%).

Signal

Previous Qtr

Current Qtr

Asset Allocation vs Ranges

Within ranges.

Page 8 — Investment Performance

The Fund returned 2.3% over the quarter against a benchmark of 3.1%. The WPP Equity and Multi-Asset Credit funds outperformed, with the reported performance of the Private Market assets detracting from returns over the quarter.

Signal

Previous Qtr

Current Qtr

Performance vs Target

The one, three and five year performances are behind the benchmark performance.

Page 13 — Manager Research

No significant news to report over the quarter.

Signal

Previous Qtr

Current Qtr

Additional Comments

In the third quarter of 2024, developed market ("DM") central banks cut interest rates prompted by the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. Uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets. Headline inflation in the UK fell to 1.7% in September from 2.0% in June.

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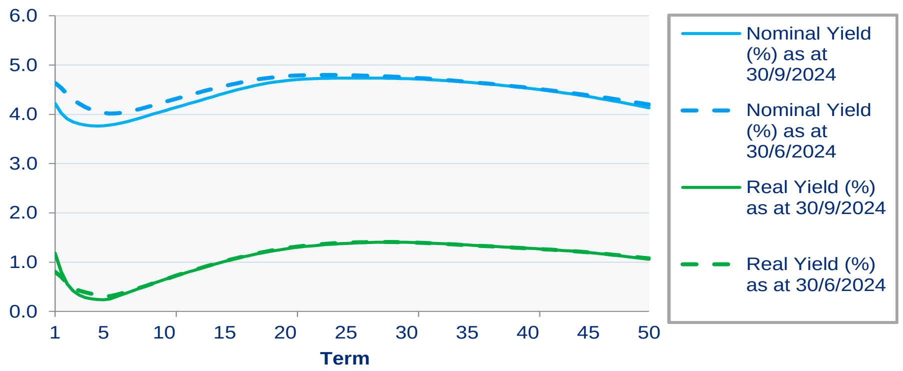
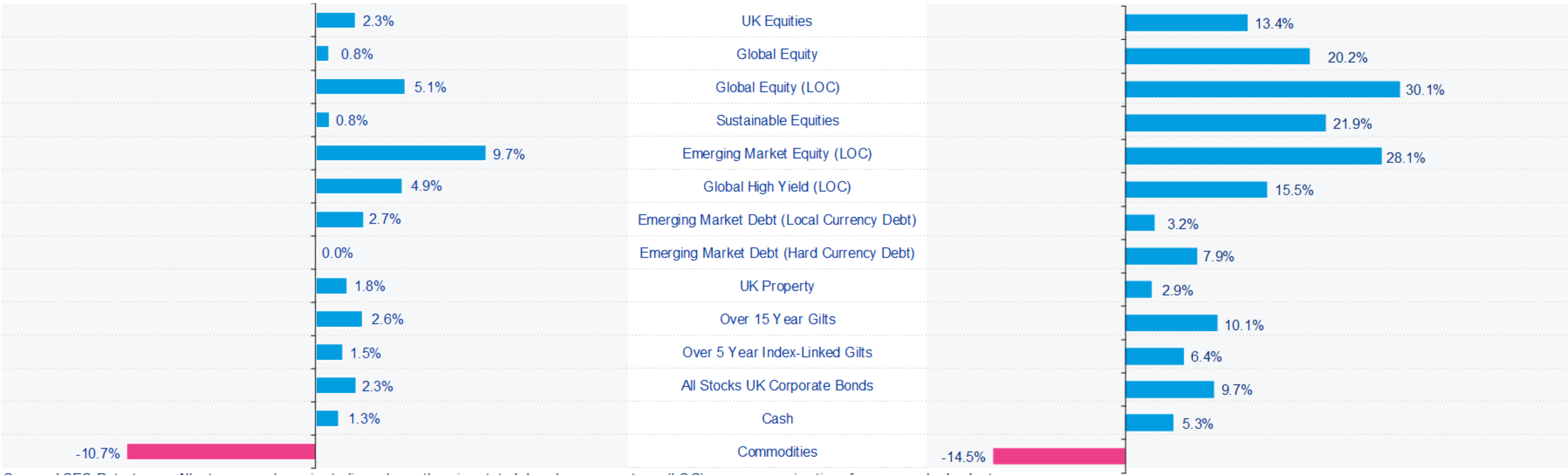
Market Conditions

	Values at (%)		Change (%)		
Yield / Spread	**30/09/2024**	**30/06/2024**	**3M**	**12M**	**3Y**
Over 5 Year Index-Linked Gilts Yield	1.14	1.16	-0.02	-0.09	3.43
Over 15 Year Fixed Interest Gilts Yield	4.49	4.57	-0.08	-0.29	3.12
Over 10 Year Non-Gilts Yield	5.49	5.60	-0.10	-0.55	3.09
Over 10 Year Non-Gilts Spread	1.12	1.10	0.02	-0.24	0.03
	£1 is worth		**Appreciation (%)**		
Exchange Rates	**30/09/2024**	**30/06/2024**	**3M**	**12M**	**3Y**
US Dollar ($)	1.341	1.264	6.11	9.88	-0.17
Euro (€)	1.202	1.179	1.90	4.25	1.09
100 Japanese Yen (¥)	1.919	2.033	-5.64	5.33	8.44



3 months to 30/09/2024

12 months to 30/09/2024



Source: LSEG Datastream. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

Mercer’s latest strategic investment insights

Market environment

Developments in the Middle East

Inflation dynamics: Insights into the long-term outlook

Monthly capital market monitor: September 2024

Periodic Table of Index Returns - Q2 2024

Real Estate Global Market Summary - July 2024: Paper

Mercer’s investor podcast: *Critical Thinking, Critical Issues*[SM]

Exploring Asia’s alternative investment evolution

Constructing agile portfolios in Asia

How can investors combine financial and non-financial objectives?

Strategic research

Private Investigations: A building block approach to Private Market Assumptions

We are what we eat - Opportunities in the food transition

Real Estate Credit: Are Recent Headlines a Cause for Concern?

Emerging Markets - Revisiting the strategic case

Frontier Market Debt

Video: 4 myths of alternative investments

Video: How real assets provide stability and diversification

Video: Optimizing Private Equity Exposure

Video: Hedge Funds in a Higher Rate Environment

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United Kingdom Quarterly insurance investment newsletter - Q2 2024

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Strategy Monitoring

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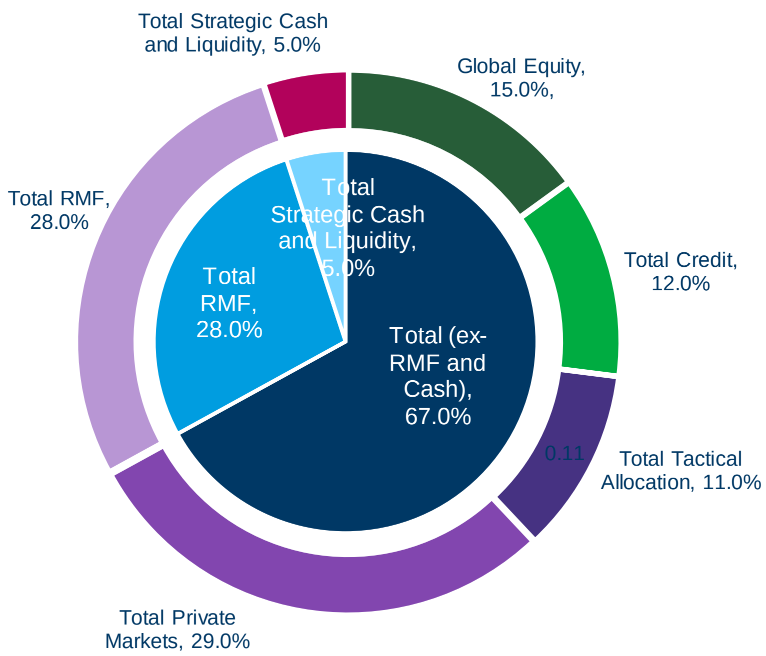
Asset Allocation

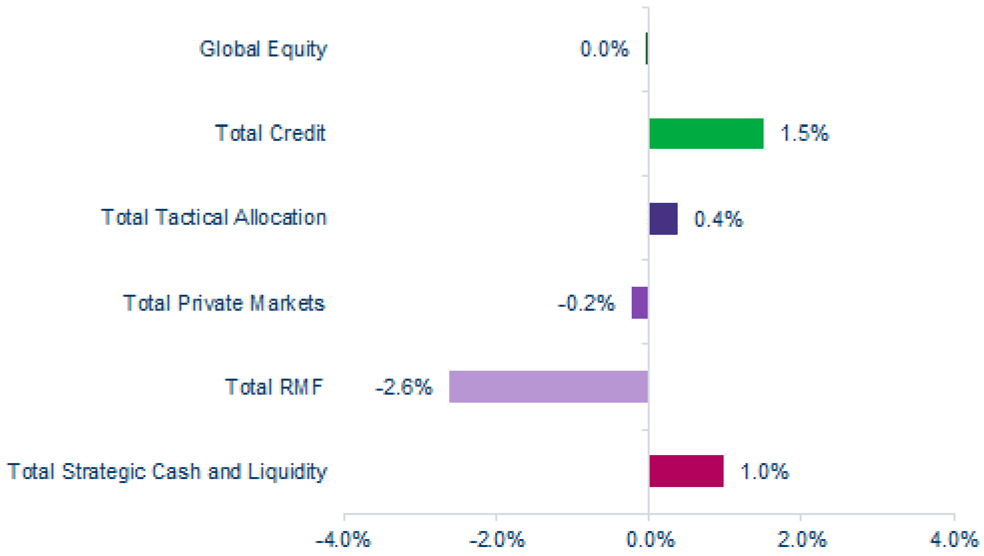
	30/06/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/ Decline (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)	30/09/2024 B'mark Range (%)
Total	**2,460.5**	**-10.2**	**55.0**	**2,505.3**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-RMF and Cash)	1,681.7	23.1	14.6	1,719.5	68.4	68.6	67.0	--
Total RMF	596.7	-	39.0	635.7	24.3	25.4	28.0	10.0 - 35.0
Total Strategic Cash and Liquidity	182.0	-33.3	1.4	150.1	7.4	6.0	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 September 2024



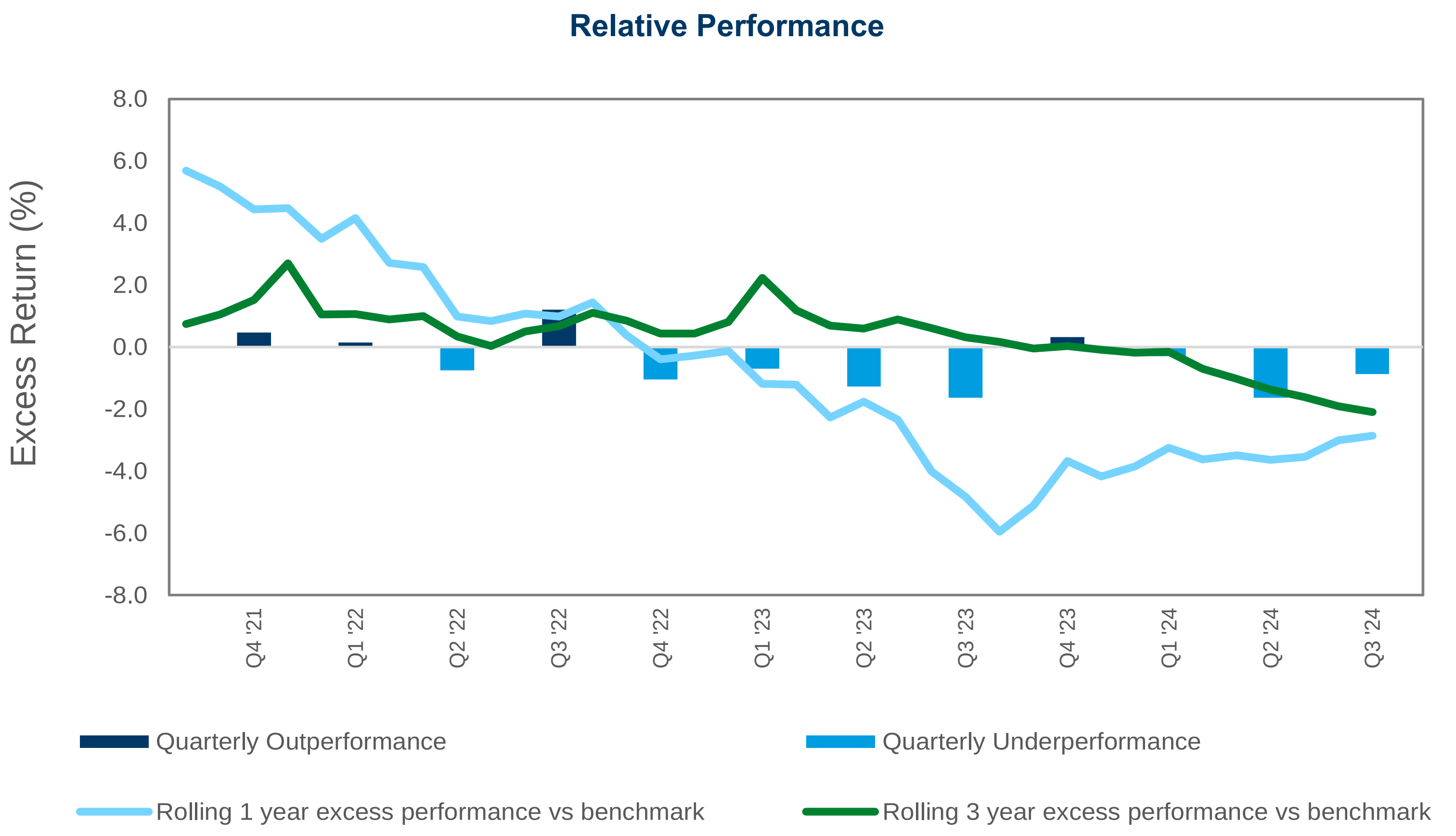
Deviation from Benchmark Asset Allocation



Investment Performance

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)
Total	**2.3**	**14.5**	**2.9**	**5.6**
Total Benchmark	3.1	17.3	5.0	6.7

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and LSEG Datastream.



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Investment Manager Summary

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Manager Allocation

	Investment Manager	30/06/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/ Decline (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)	30/09/2024 B'mark Range (%)
Total		**2,460.5**	**-10.2**	**55.0**	**2,505.3**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-RMF and Cash)		**1,681.7**	**23.1**	**14.6**	**1,719.5**	**68.4**	**68.6**	**67.0**	**--**
Total Equity		**346.2**	**22.7**	**5.8**	**374.6**	**14.1**	**15.0**	**15.0**	**10.0 - 20.0**
Global Equity		**346.2**	**22.7**	**5.8**	**374.6**	**14.1**	**15.0**	**15.0**	**10.0 - 20.0**
WPP Sustainable Active Equity	Russell	346.2	22.7	5.8	374.6	14.1	15.0	15.0	10.0 - 20.0
Total Credit		**248.0**	**77.1**	**13.7**	**338.8**	**10.1**	**13.5**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	248.0	77.1	13.7	338.8	10.1	13.5	12.0	10.0 - 14.0
Total Hedge Funds		**83.0**	**-82.9**	**-0.2**	**-**	**3.4**	**-**	**-**	**-**
Hedge Funds	Man Group	83.0	-82.9	-0.2	-	3.4	-	-	-
Total Tactical Allocation		**282.7**	**-**	**2.6**	**285.3**	**11.5**	**11.4**	**11.0**	**9.0 - 13.0**
Tactical Asset Allocation	Various	282.7	-	2.6	285.3	11.5	11.4	11.0	9.0 - 13.0
Total Private Markets		**721.8**	**6.2**	**-7.3**	**720.7**	**29.3**	**28.8**	**29.0**	**15.0 - 37.0**
Private Markets		**665.2**	**1.8**	**-7.5**	**659.5**	**27.0**	**26.3**	**29.0**	**--**
WPP Private Markets		**56.6**	**4.4**	**0.2**	**61.2**	**2.3**	**2.4**		**--**
Property	Various	107.9	1.2	2.6	111.7	4.4	4.5	4.0	2.0 - 6.0
Local / Impact	Various	144.2	5.0	0.7	149.8	5.9	6.0	8.0	6.0 - 10.0
Timber/ Agriculture	Various	9.0	-	-0.5	8.5	0.4	0.3	--	--
Total Private Equity		**234.3**	**-4.8**	**-6.8**	**222.7**	**9.5**	**8.9**	**8.0**	**6.0 - 10.0**
Private Equity	Various	210.3	-4.8	-6.8	198.7	8.5	7.9	8.0	6.0 - 10.0
WPP Private Equity	Various	24.0	-	-	24.0	1.0	1.0		
Total Private Debt		**71.4**	**0.6**	**-1.5**	**70.5**	**2.9**	**2.8**	**3.0**	**1.0 - 5.0**
Private Debt	Various	58.7	0.6	-1.9	57.3	2.4	2.3	3.0	1.0 - 5.0
WPP Private Debt	Various	12.8	-	0.4	13.2	0.5	0.5		
Total Infrastructure		**155.0**	**4.2**	**-1.8**	**157.4**	**6.3**	**6.3**	**6.0**	**4.0 - 8.0**
Infrastructure	Various	135.2	-0.3	-1.6	133.4	5.5	5.3	6.0	4.0 - 8.0
WPP Infrastructure	Various	19.8	4.4	-0.2	24.1	0.8	1.0		
Total RMF		**596.7**	**-**	**39.0**	**635.7**	**24.3**	**25.4**	**28.0**	**10.0 - 35.0**
Risk Management Framework	Insight	596.7	-	39.0	635.7	24.3	25.4	28.0	10.0 - 35.0

	Investment Manager	30/06/2024 Market Value (£M)	Net cashflow (£M)	Investment Growth/ Decline (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)	30/09/2024 B'mark Range (%)
Total Strategic Cash and Liquidity		**182.0**	**-33.3**	**1.4**	**150.1**	**7.4**	**6.0**	**5.0**	**2.5 - 7.5**
Strategic Cash and Liquidity	Insight	109.4	-40.0	1.4	70.8	4.4	2.8	5.0	2.5 - 7.5
Trustee Bank Account	In-House	72.6	6.7	-	79.3	3.0	3.2		

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		**2.3**	**3.1**	**14.5**	**17.3**	**2.9**	**5.0**	**5.6**	**6.7**
Total Equity		**1.6**	**1.0**	**14.8**	**19.6**	**3.2**	**6.5**	**6.3**	**9.1**
WPP Sustainable Active Equity	Russell	1.6	1.0	17.9	22.2	-	-	-	-
Total Credit		**5.0**	**2.3**	**14.6**	**9.5**	**1.5**	**7.5**	**2.6**	**5.5**
WPP Multi-Asset Credit	Russell	5.0	2.3	14.6	9.5	1.5	7.5	-	-
Total Tactical Allocation		**0.9**	**1.4**	**9.1**	**5.9**	**5.7**	**6.9**	**6.6**	**6.2**
Tactical Asset Allocation	Various	0.9	1.4	9.1	5.9	5.7	6.9	6.3	6.1
Total Private Markets		**-1.0**	**2.4**	**-0.5**	**9.1**	**6.5**	**7.2**	**7.6**	**6.4**
Private Markets		**-1.1**	**2.4**	**-1.1**	**9.1**	**6.3**	**7.2**	**7.5**	**6.4**
WPP Private Markets		**0.4**	**2.4**	**15.3**	**9.7**	**-**	**-**	**-**	**-**
Property	Various	2.3	1.8	-6.9	2.9	-5.4	0.3	-1.7	2.2
Local / Impact	Various	0.5	2.5	-0.9	10.5	12.1	8.5	-	-
Timber/ Agriculture	Various	-5.7	2.5	-6.2	10.5	7.4	8.5	4.0	7.2
Total Private Equity		**-2.9**	**2.5**	**1.4**	**10.5**	**8.9**	**8.5**	**11.8**	**7.2**
Private Equity	Various	-3.3	2.5	0.4	10.5	8.6	8.5	11.6	7.2
WPP Private Equity	Various	0.0	2.5	-	-	-	-	-	-
Total Private Debt		**-2.0**	**1.8**	**-3.2**	**7.5**	**8.2**	**7.5**	**5.2**	**7.5**
Private Debt	Various	-3.2	1.8	-4.3	7.5	7.9	7.5	5.0	7.5
WPP Private Debt	Various	3.2	1.8	4.5	7.5	-	-	-	-
Total Infrastructure		**-1.1**	**2.5**	**4.3**	**10.5**	**11.4**	**8.5**	**8.0**	**7.2**
Infrastructure	Various	-1.2	2.5	3.9	10.5	11.2	8.5	7.9	7.2
WPP Infrastructure	Various	-0.9	2.5	15.9	10.5	-	-	-	-
Total RMF		**6.5**	**6.5**	**37.2**	**37.2**	**-5.3**	**-5.3**	**2.8**	**2.8**
Risk Management Framework	Insight	6.5	6.5	37.2	37.2	-5.3	-5.3	2.8	2.8
Total Strategic Cash and Liquidity		**1.3**	**1.3**	5.5	5.3	3.4	3.4	2.2	2.1
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 LSEG Datastream. 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.
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

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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 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		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		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		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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Mercer

Risk management framework

Monthly Monitoring Report: 30 September 2024

Clwyd Pension Fund

October 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 September 2024

- The funding position is 109%, which is ahead of the expected funding level from the 2022 valuation by 5%.

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.

Liability hedging mandate at 30 June 2024

- Insight in compliance with investment guidelines
- Marginally underperformed the benchmark over the quarter
- Hedge ratios broadly in line with target levels

The yield trigger framework is currently suspended in light of the wider liquidity position of the Fund. The re-introduction of the framework will be considered on an annual basis as part of the Funding and Flightpath Health Check.

Synthetic equity mandate at 30 September 2024

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

A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS rolled on 23 May 2021 and 24 May 2024 with no further changes to the strategy. No action required.

Currency hedging at 30 September 2024

- Currency hedging overlay implemented in the QIAIF in August 2019
- As at 30 September 2024 , the market value of the currency hedge on physical equities since inception on 22 August 2019 was £8.9m

No action required.

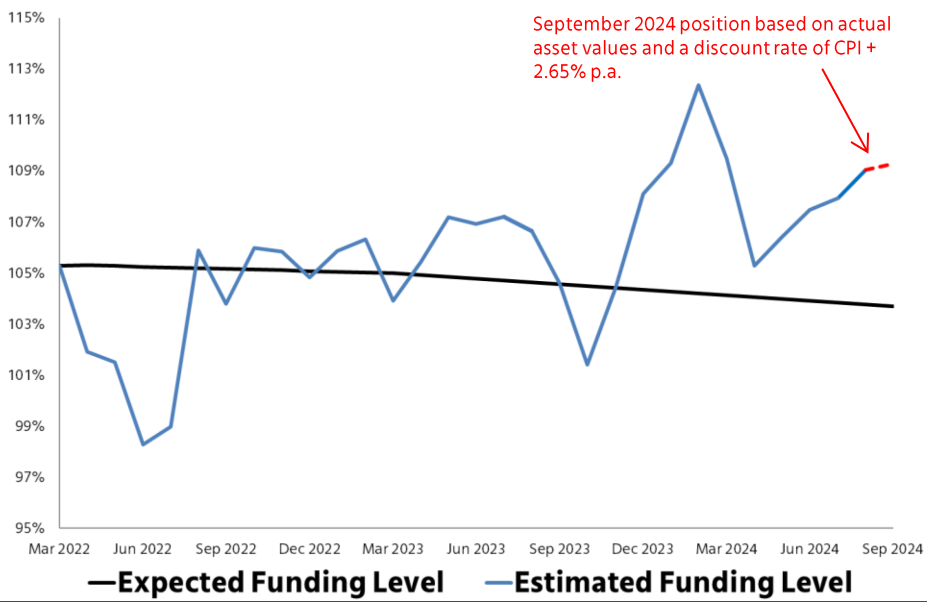
Collateral and counterparty position at 30 June 2024

- The Insight QIAIF can sustain a 5.2% rise in interest rates or >10% fall in inflation, net of TRS and FX stresses and still retain a 4% yield headroom.
- At 30 June 2024, the yield rise needed to exhaust all collateral within the Insight QIAIF was 9.2%.

The Fund has sufficient collateral to withstand the stresses as at 30 June 2024. No action required.

Funding level monitoring to 30 September 2024

Estimated funding position since 31 March 2022



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.

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 September 2024 was around 104%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 31 August 2024. The **red dashed line** shows the progression of the estimated funding level over September 2024. At 30 September 2024, we estimate the funding level and surplus to be:

109% / £213m

This update shows that the Fund's position at 30 September 2024 was ahead of the expected funding level from the 2022 valuation by 5%. 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 known pension increases since the valuation as well as the expected increase next year (essentially refining the liability cashflows). When determining the appropriate discount rate, we have allowed for the correlation of asset returns to the change in real yields from the valuation date along with an appropriate adjustment to the expected return for growth assets due to the economic outlook, in line with the approach agreed at FRMG.

Mercer

Update on market conditions and triggers

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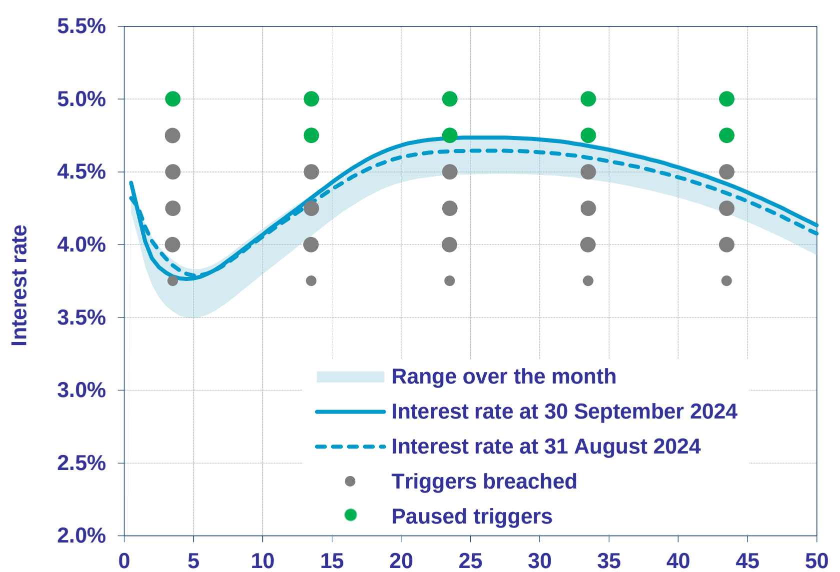
Change in interest rates

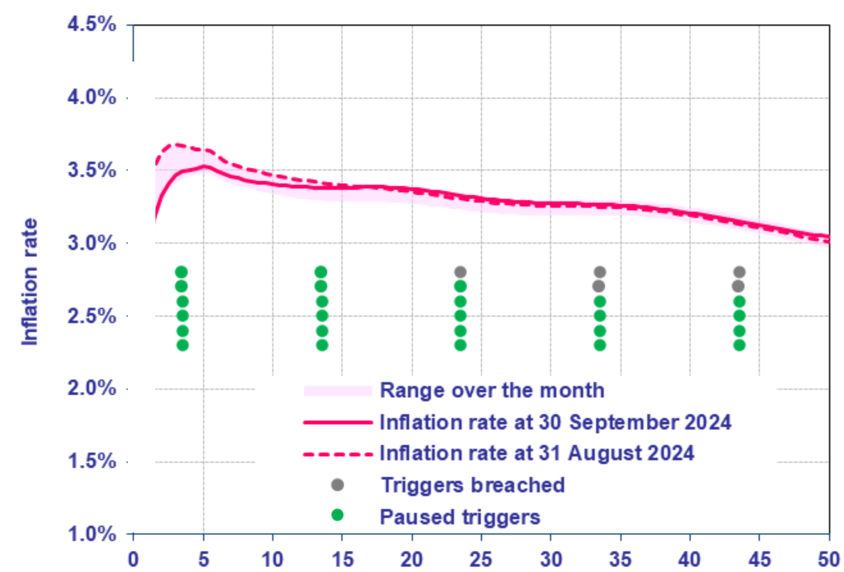


Date	Band 1	Band 2	Band 3	Band 4	Band 5	Total
30 June 2024	58.3%	41.1%	26.8%	18.6%	9.7%	27.6%

Comments

Relative to the position at the end of August 2024, the interest rate curve fell at the shortest tenors but rose slightly across medium to longer tenors.

Change in inflation rates



Date	Band 1	Band 2	Band 3	Band 4	Band 5	Total
30 June 2024	38.3%	14.2%	18.7%	20.0%	11.3%	17.6%

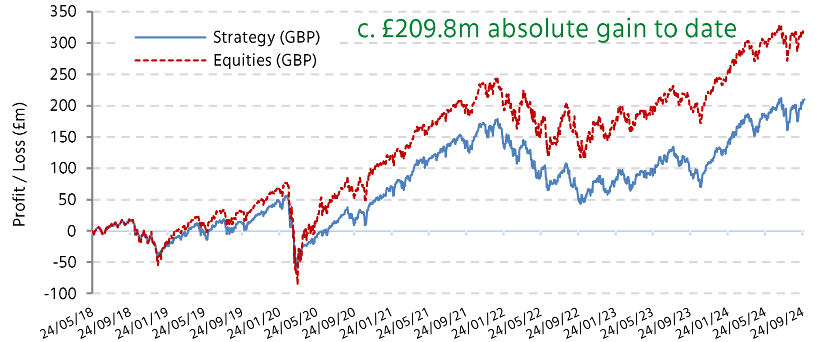
Comments

Relative to the position at the end of August 2024, the inflation expectations curve fell slightly for short tenors but remained broadly in line for the medium to long tenors.

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

Strategy versus equity index

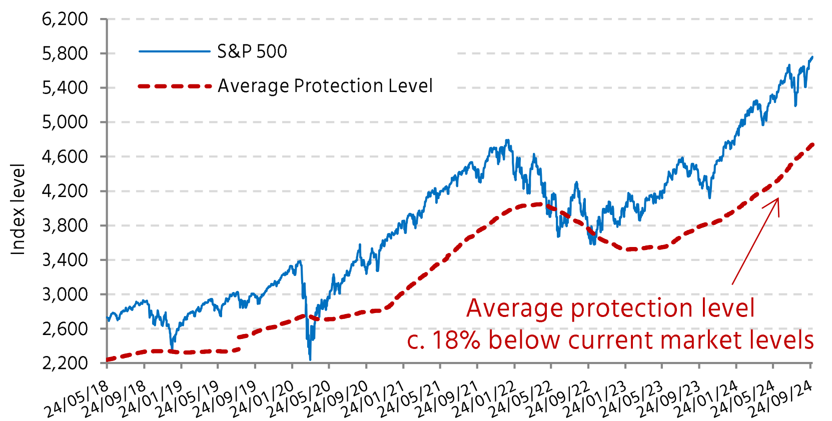


GBP returns (%)	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	1.7	(0.1)	(0.1)	(0.0)	1.5	(0.2)
YTD	18.8	(1.7)	(1.0)	(0.2)	15.9	(2.9)
SI (per annum)	10.6	(3.4)	(1.4)	(0.5)	7.5	(3.1)

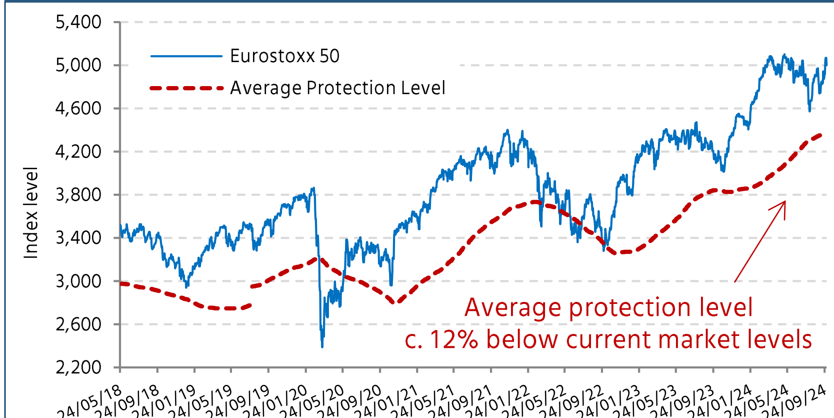
Comments

- 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 and 23 May 2024 with no further changes to the strategy.
- Equity markets rose over September 2024, leading to a positive return on the equity protection strategy, with the financing and hedging legs recording negative returns over the month.
- The strategy underperformed passive equities over the month. As at 30 September 2024, there was a gain of c. £209.8m on the strategy since inception.
- From inception on 8 March 2019 to 30 September 2024, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £9.3m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.

US equity exposure



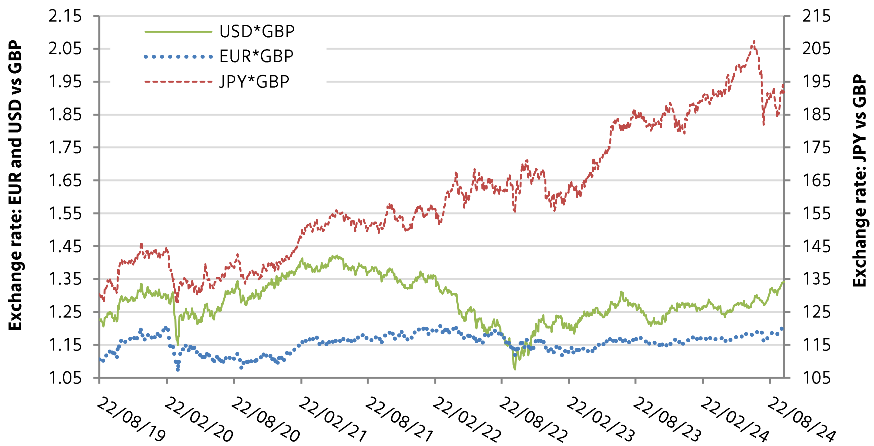
European equity exposure (note: different scale)



Mercer

Developed market physical equity currency hedge

Sterling denominated FX rate



Comments

- A currency hedge was placed on the physical developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk. The hedge 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 September 2024, the market value of the currency hedge since inception on 22 August 2019 was £8.9m.
- The market value of the currency hedge rose over September 2024 as sterling appreciated against the dollar, euro and yen.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 August 2024
EUR	10%	£3.1m	£0.4m
JPY	8%	£7.3m	£0.2m
USD	82%	(£1.6m)	£4.5m
Total	**100%**	**£8.9m**	**£5.1m**

*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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Agenda Item 13

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