



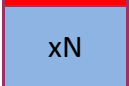

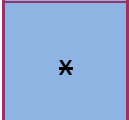


Business Plan 2023/24 to 2025/26 – Q4 Update

Funding and Investments

Key Tasks

Key:

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

Funding and Investments (including accounting and audit) Tasks

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

Funding and Investments (including accounting and audit) Task Descriptions

F1: Investment Strategy Implementation

What is it?

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

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

Timescales and Stages

Implementation of any changes	2023/24 Q1 to Q2
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Resource and Budget Implications

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

F2: Climate Change, TCFD and TNFD

What is it?

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

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

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

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F3: UK Stewardship Code

What is it?

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

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F4: LGPS Investment Related Developments

What is it?

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F5: Asset Pooling

What is it?

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

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

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

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

Further details are contained within the WPP Business Plan.

Timescales and Stages

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

Resource and Budget Implications

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

F6: Interim Funding Review

What is it?

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F7: Funding Strategy Statement Review and Triennial Actuarial Valuation

What is it?

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F8: Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy having regard to the findings of the actuarial valuation and the review of the Funding Strategy.

This is expected to take place concurrently with the review of the Funding Strategy Statement in 2025/26.

Timescales and Stages

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

Resource and Budget Implications

The work will be led by Deputy Head of Clwyd Pension Fund, working with the Fund's Investment Consultant.