

Pecyn Dogfen Gyhoeddus

Gareth Owens LL.B Barrister/Bargyfreithiwr

Chief Officer (Governance)

Prif Swyddog (Llywodraethu)



Swyddog Cyswllt:

Janet Kelly 01352 702301

janet.kelly@flintshire.gov.uk

At: Cyng Ted Palmer (Cadeirydd)

Y Cynghorwyr: Dave Hughes, Jason Shallcross, Sam Swash a Antony Wren

Aelodau Cyfetholedig:

Steve Hibbert, Y Cynghorwyr Andrew Rutherford, Gwyneth Ellis a
Anthony Wedlake

Dydd Mercher, 24 Awst 2022

Annwyl Gynghorydd

HYSBYSIAD O GYFARFOD ANGHYSBELL
PWYLLGOR CRONFA BENSIWN CLWYD
DYDD MERCHER, 31AIN AWST, 2022 AM 9.30 AM

Yn gywir

Steven Goodrum
Rheolwr Gwasanaethau Democraidd

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Os oes gennych unrhyw ymholiadau, cysylltwch ag aelod o'r Tîm Gwasanaethau Democraidd ar 01352 702345.

R H A G L E N

1 YMDDIHEURIADAU

Pwrpas: I derbyn unrhyw ymddiheuriadau.

2 DATGAN CYSYLLTIAD (GAN GYNNWYS GWRTHDARO O RAN CYSYLLTIAD)

Pwrpas: I dderbyn unrhyw Datganiadau a chynghori'r Aelodau yn unol a hynny.

3 COFNODION (Tudalennau 5 - 16)

Pwrpas: I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 15 Mehefin 2022

4 ADRODDIAD BLYNYDDOL DRAFFT YN CYNNWYS CYFRIFON 2021/22 (Tudalennau 17 - 184)

Pwrpas: Cyflwyno Adroddiad Blynyddol drafft a Chyfrifon Cronfa Bensiynau Clwyd ar gyfer 2021/22 i Aelodau'r Pwyllgor, er mwyn ei ystyried ac i wneud yr Aelodau yn ymwybodol o'r ymateb i lythyr Ymholiadau Archwilio 2021/22.

5 CYFLWYNIAD COD STIWARDIAETH DRAFFT (Tudalennau 185 - 260)

Pwrpas: Darparu cyflwyniad Cod Stiwardiaeth Drafft i Aelodau'r Pwyllgor ar gyfer ei ystyried ac i ddirprwyo cymeradwyaeth y fersiwn terfynol i Bennaeth Cronfa Bensiynau Clwyd.

6 DIWEDDARIAD LLYWODRAETHU AC YMGYNGHORIADAU (Tudalennau 261 - 364)

Pwrpas: Rhoi diweddariad i Aelodau'r Pwyllgor ar faterion perthnasol i lywodraethu. Gofyn i'r Pwyllgor ystyried ac argymhell i'r Cyngor newidiadau arfaethedig i Gyfansoddiad y Cyngor a'r Protocol Bwrdd Pensiynau, ac i ystyried a chymeradwyo'r Cynllun Dirprwyo diwygiedig.

7 DIWEDDARIAD GWEINYDDU PENSIWN / CYFATHREBU (Tudalennau 365 - 404)

Pwrpas: Diweddariad Aelodau'r Pwyllgor ar faterion gweinyddol a chyfathrebu.

8 DIWEDDARIAD BUDDSODDI A CHYLLID (Tudalennau 405 - 472)

Pwrpas: Darparu diweddariad i Aelodau'r Pwyllgor ar faterion buddsoddi ac ariannol Cronfa Bensiynau Clwyd.

DEDDF LLYWODRAETH LEOL (MYNEDIAD I WYBODAETH) 1985 - YSTYRIED GWAHARDD Y WASG A'R CYHOEDD

Ystyrir bod yr eitem ganlynol yn eitem eithriedig yn rhinwedd Paragraff(au) 14, Rhan 4 yn Atodlen 12A Deddf Llywodraeth Leol 1972 (fel y'i diwygiwyd).

Mae budd y cyhoedd mewn dal y wybodaeth yn ôl yn gorbwyso budd y cyhoedd mewn datgelu'r wybodaeth.

9 DIWEDDARIAD AR FUDDSODDI AC ARIANNU (Tudalennau 473 - 522)

Pwrpas: Atodiad Cyfrinachol i'r Diweddariad Buddsoddi ac Ariannu

10 CYFUNO BUDDSODDIADAU YNG NGHYMRU (Tudalennau 523 - 536)

Pwrpas: I roi diweddariad i aelodau'r pwyllgor am gyfuno buddsoddiadau yng nghymru.

11 IWEDDARIAD AR YR ECONOMI A'R FARCHNAD A'R STRATEGAETH FUDDSODDI A CHRYNODEB RHEOLWYR (Tudalennau 537 - 572)

Pwrpas: Darparu diweddariad i Aelodau'r Pwyllgor ar yr economi a'r farchnad a pherfformiad y Gronfa a Rheolwyr y Gronfa.

12 FFRAMWAITH RHEOLI RISG, LLWYBR HEDFAN A CHYLLID (Tudalennau 573 - 590)

Pwrpas: Rhoi'r wybodaeth ddiweddaraf i aelodau'r Pwyllgor ar y sefyllfa cyllido, a gweithrediad y fframwaith rheoli risg a llwybr hedfan.

DEDDF LLYWODRAETH LEOL (MYNEDIAD I WYBODAETH) 1985 - YSTYRIED GWAHARDD Y WASG A'R CYHOED

Mae'r eitem a ganlyn yn cael ei hystyried yn eitem eithriedig yn rhinwedd Paragraff(au) 18 Rhan 4 Atodiad 12A o Ddeddf Llywodraeth Leol 1972 (fel ycafodd ei diwygio).

Mae'r adroddiad yn cynnwys manylion o fesurau i atal trosedd seiber a budd y cyhoedd i atal gwybodaeth sy'n gorbwyso'r budd i ddatgelu'r wybodaeth

13 RHAGLEN WAITH STRATEGAETH SEIBER A CHANLLAWIAU HYLENDID SEIBER (Tudalennau 591 - 602)

Pwrpas: Rhoi diweddariad i Aelodau'r Pwyllgor ar Raglen Waith Strategaeth Seiber y Gronfa a Chanllawiau Hylendid Seiber y Gronfa er mwyn eu nodi.

14 **CYFARFODYDD YN Y DYFODOL**

Pwrpas: Cynhelir cyfarfodydd o Gronfa Bensiwn Clwyd yn y dyfodol am 9.30 am ar:-

Dydd Mercher 23rd Tachwedd 2022

Dydd Mercher 15th Chwefror 2023

Dydd Mercher 29th Mawrth 2023

Dydd Mercher 21st Mehefin 2023

Sylwch, efallai y bydd egwyl o 10 munud os yw'r cyfarfod yn para'n hirach na dwy awr.

Nodyn Gweithrefnol ar redeg cyfarfodydd

Bydd y Cadeirydd yn agor y cyfarfodydd ac yn cyflwyno eu hunain.

Bydd nifer o Gynghorwyr yn mynychu cyfarfodydd. Bydd swyddogion hefyd yn mynychu cyfarfodydd i gyflwyno adroddiadau, gyda swyddogion Gwasanaethau Democrataidd yn trefnu a chynnal y cyfarfodydd.

Gofynnir i bawb sy'n mynychu i sicrhau bod eu ffonau symudol wedi diffodd a bod unrhyw sain gefndirol yn cael ei gadw mor dawel â phosib.

Dylai'r holl feicroffonau gael eu rhoi "ar miwt" yn ystod y cyfarfod a dim ond pan fyddwch yn cael eich gwahodd i siarad gan y Cadeirydd y dylid eu rhoi ymlaen. Pan fydd gwahoddedigion wedi gorffen siarad dylen nhw roi eu hunain yn ôl "ar miwt".

Er mwyn mynegi eu bod nhw eisiau siarad bydd Cynghorwyr yn defnyddio'r cyfleuster 'chat' neu yn defnyddio'r swyddogaeth 'raise hand' sy'n dangos eicon codi llaw electronig. Mae'r swyddogaeth 'chat' hefyd yn gallu cael ei ddefnyddio i ofyn cwestiynau, i wneud sylwadau perthnasol ac yn gyfle i'r swyddog gynghori neu ddiweddarau'r cynghorwyr.

Bydd y Cadeirydd yn galw ar y siaradwyr, gan gyfeirio at aelod etholedig fel 'Cynghorydd' a swyddogion yn ôl eu teitl swydd h.y. Prif Weithredwr neu enw. O bryd i'w gilydd mae'r swyddog sy'n cynghori'r Cadeirydd yn egluro pwyntiau gweithrefnol neu'n awgrymu geiriad arall ar gyfer cynigion er mwyn cynorthwyo'r Pwyllgor.

Os, a phan y cynhelir pleidlais, mi fydd y Cadeirydd yn egluro mai dim ond y rheiny sy'n gwrthwynebu'r cynnig/cynigion, neu sy'n dymuno ymatal a fydd angen mynegi hynny drwy ddefnyddio'r swyddogaeth 'chat'. Bydd y swyddog sy'n cynghori'r Cadeirydd yn mynegi os bydd y cynigion yn cael eu derbyn.

Os oes angen pleidlais fwy ffurfiol, bydd hynny yn ôl galwad enwau – lle gofynnir i bob Cynghorydd yn ei dro (yn nhrefn yr wyddor) sut mae ef / hi yn dymuno pleidleisio.

Yng nghyfarfodydd Pwyllgorau Cynllunio a Chyngor Sir mae amseroedd siaradwyr yn gyfyngedig. Bydd cloch yn cael ei chanu i roi gwybod i'r siaradwyr bod ganddyn nhw funud ar ôl. Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor.

Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 3

CLWYD PENSION FUND COMMITTEE

15 June 2022

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely at 9.30am on Wednesday, 15 June 2022.

PRESENT: Councillor Ted Palmer (Chairman)

Councillors: Dave Hughes, Jason Shallcross, Antony Wren

CO-OPTED MEMBERS: Councillor Andy Rutherford (Other Scheme Employer Representative) and Mr Steve Hibbert (Scheme Member Representative).

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

APOLOGIES. Gwyneth Ellis (Denbighshire County Council), Anthony Wedlake (Wrexham County Borough Council), Debbie Fielder (Deputy Head of Clwyd Pension Fund), and Gary Ferguson (Corporate Finance Manager).

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

Officers/Advisers comprising: Sandy Dickson (Investment Adviser – Mercer), Karen Williams (Pensions Administration Manager), Megan Fellowes (Actuarial Analyst – Mercer - taking minutes), Ieuan Hughes (Graduate Investment Trainee).

Guest speakers presenting comprising:

Michelle Phoenix – item 5 only (Audit Wales)

The Chairman welcomed the new members, Councillors Shallcross and Wren, to the Committee. All attendees in the virtual room introduced themselves for the benefit of the new members.

The Chairman said the Fund were awaiting confirmation of the final Flintshire County Council member.

In addition, the Chairman thanked former Committee members Haydn Bateman, Ralph Small, Tim Roberts, Nigel Williams and Julian Thompson-Hill, for their dedication to the management of the Fund, in some cases over many years. He confirmed the Fund were extremely grateful to them.

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

The Chairman and Cllr Wren confirmed they applied to be members of the Fund. Cllr Wren also noted he was an elected member of Connah's Quay Town Council and highlighted there is reference to the Town Council in item 8.

There were no other declarations of interest.

191. **APPOINTMENT OF VICE CHAIR**

The Committee appointed Cllr Hughes as the Vice Chair of the Committee.

RESOLVED:

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

192. **MINUTES 16 MARCH 2022**

Mr Latham requested an adjustment to the records to include Mrs Williams in the list of attendees and to move Mrs Carney to the advisory panel section.

Referring to the minutes of the 9 February 2022 meeting on page 5, Mr Hibbert said that it appeared that the Joint Governance Committee (“JGC”) had no issue with the circulation of the stock lending report. Therefore, Mr Hibbert asked to see a copy of the stock lending report. Mr Latham highlighted that the current report was provided under Part 2 to the JGC and WPP were working on a report which was more specific to the Fund but it is unclear when that will be available. Given that, Mr Latham confirmed this would be included on the next meeting’s agenda.

On page 9, Mr Hibbert said he outlined more details than shown in the minutes on why it was important that the Fund took notice of Michael Lynk’s letter on Palestine and he requested that the minutes were corrected. Mr Hibbert also noted that he asked to see a copy of the letter and one was not provided yet. Mrs McWilliam asked Mr Hibbert to remind the Committee of the reasons he quoted at the last Committee to update the minutes. Mr Hibbert said he would provide a paragraph for the minutes to be updated. The letter will also be provided and Mr Latham apologised for the oversight.

Subject to the changes above the minutes of the meeting of the Committee held on 16 March 2022 were agreed.

RESOLVED:

The minutes of 16 March 2022 were received, approved and will be signed by the Chairman once the updates are made.

193. **AUDIT WALES AUDIT PLAN 2022**

The Chairman introduced Mrs Phoenix from Audit Wales and invited her to present this item. Mrs Phoenix referred the Committee to Appendix 1 and noted that the audit plan summarised the risks identified, the fee, the timing and the audit team. The key areas regarding the risks identified on page 21 included a specific risk relating to the Fund’s diverse portfolio and holdings (outlined in the table at the bottom of page 21). The plan to divest from Russian investments was mentioned in the identified risks on page 22. WPP were in the process of divesting from Russian investments and Mrs Phoenix said she was not aware of

any update on this. Despite this, she confirmed that the value of this holding was not material for the Fund.

In addition, as Mr Vaughan (Principal Accountant) had left the Fund, this was addressed as an identified risk but Mrs Phoenix confirmed there were no concerns and it was only flagged to bring to the Committee's attention.

Mrs Phoenix explained that the audit fee had increased this year. The fee increase for all Funds was related to an increase in the work and also involvement of higher graded team members due to the audit standards.

She said the audit plan had not changed from prior years and the submission of the final report to the Committee would be in late November to allow them to meet the statutory deadline of 30 November 2022.

RESOLVED:

The Committee noted the update.

194. CLWYD PENSION FUND COMMUNICATIONS STRATEGY

The Chairman confirmed this item required approval by the Committee and the Committee had training on it the previous week.

Mrs Williams introduced the report explaining that the 2013 LGPS Regulations required each administering authority to prepare, maintain and publish a written statement setting out its policy concerning communications with all key stakeholders. The Fund carried out a fundamental review of the existing communications policy in 2016 and 2019. Since then, use of technology had progressed significantly and this proposed Communications Strategy would change how the Fund communicates with its stakeholders. It would be focussed on providing communications that are more engaging and informative, including reducing use of jargon so they are easier to read, ensuring accessibility to all members and more interactive such as including videos for the website. Communications would be more focussed on different groups of members.

One of the key outcomes proposed in the new strategy was that a greater proportion of stakeholders would now understand the benefits of the scheme. This would reduce the enquiries the Fund receive, reduce the amount of time spent answering queries and overall provide a more engaging service.

Mrs Williams said the objectives within the strategy remain very similar to the current version. As previously mentioned in the Committee training, the various elements of work to deliver the new communications strategy were in the business plan and the relevant timescales allowed time to achieve these aims and objectives.

Mr Hibbert did not doubt that this work was necessary but was concerned about what people would perceive as a significant cost and thought it could be seen as ostentatious. Mrs Williams clarified that the majority of the work would be carried out by members of the administration team and explained they had recruited members of staff with skills to be able to delivered the strategy. Mrs McWilliam believed that it was possible to provide engaging

communications without it appearing ostentatious and it was about ensuring the Fund got the balance right. She also highlighted that the proposed strategy was discussed at the Pension Board meeting the previous week and the Board members were extremely supportive of it.

She also highlighted that there is a large proportion of scheme members who were not currently enrolled for member self-service or opted for paper communications, and therefore not receiving some communications, such as the annual benefit statements. From an employer perspective, Mrs Williams said that the Fund needed to be considerate of the cost perspective i.e. the amount spent each year providing one-to-ones and going through benefit statements. This was not easy to manage for the Fund without significant staffing pressures and so if the Fund can get communications right it will result in reduced time and internal costs providing that service.

RESOLVED:

The Committee approved the updated Communications Strategy.

195. **ASSET POOLING AND WPP BUSINESS PLAN 2022 - 2025**

For the benefit of the new members, Mr Latham explained that previously the Fund set the investment strategy; decided how much was allocated to each asset class and selected a number of investment managers to deliver the strategy. Apart from some legacy assets, the Fund does not now select their own fund managers as the Wales Pension Partnership (“WPP”) selects managers.

Mr Latham confirmed the JGC appointed a new scheme member representative as outlined in paragraph 1.01.

He also highlighted in paragraph 1.01 that Dye & Durham were purchasing Link Group. Link Fund Solutions provide WPP with back office infrastructure for the pooled investment vehicles WPP partner funds invest in. Mr Latham noted that it was unclear at the moment what would happen with Link Fund Solutions but the JGC and WPP were being updated on the matter.

Mr Hibbert said that private investors in Woodford (who were recommended by Link Group) were taking legal action against Link Group and asked if this was likely to affect the Fund’s services to WPP. Mr Latham said that the WPP confirmed this would not be the case, but Mr Latham recognised there were some risks, given that the Fund do not know the outcome or what actions the FCA would take. Mr Latham emphasised that WPP’s advisers, Hymans Robertson, had assured them that the FCA would become involved should anything happen to Link as a result of Woodford.

The WPP officer-working group had set up several sub-groups for example, Mr Latham was involved on the risk management sub-group and Mrs Fielder was involved on the other two groups for private markets and responsible investment (“RI”). These were both complex areas and important for the Fund given that approximately 27% of the Fund’s assets were in private markets, and eventually any new commitments in this asset class would be made to the WPP private market sub-funds.

As identified from the report, there was a significant amount of work involved in these groups, especially regarding the private markets sub-group, given the appointments made in private credit and infrastructure. From next year, after the sub-funds were set up, private market investments will be through WPP, for the various underlying allocators to determine how investments will be deployed.

In addition, a significant amount of work was completed in relation to the responsible investment sub-group as outlined in paragraph 1.03 of the report. As reported at the last Committee, WPP were successful in becoming a member of the Stewardship Code. The Financial Reporting Council (“FRC”) highlighted suggested areas of improvement for WPP. As a result, an action plan was created ready for next year’s submission.

The Fund had previously requested that WPP establish a Global Active Sustainable Equity sub-fund to help the Fund meet its investment objectives and Mr Latham updated the Committee on progress of this. Mercer provided views on progress reports provided by Russell Investments and the sub-fund structure would be recommended at the next JGC. After the recommendation at the JGC, approval would be required from the FCA who will go into detail to ensure there was no ‘greenwashing’ in the sustainability objectives for the sub-fund.

Mr Hibbert stated that the Fund could not be responsible investors if it did not hold the stocks at WPP because they have been lent out through stock lending. Therefore, as per the earlier point in the last minutes, he asked for the stock lending report to be provided. Mr Latham said there were two key reports, one from Robeco who are appointed by WPP and report on what voting and engagement with providers has taken place based on the WPP policies. The other report is from Northern Trust on stock lending. Mr Latham clarified that he had a report which provided the information relating to WPP investments as a whole, but this could not currently be shared with the Committee, given that the Fund were invested in only 3 of the 9 sub-funds identified. Mr Latham explained it would be his preference to share information relevant to the Fund but if that has not been developed by the next Committee meeting, the fuller report relating to all of WPP would be shared. In regards to Mr Hibbert’s general point on stock lending, Mr Latham confirmed this was being looked at by the WPP to ensure that stock lending was in line with WPP responsible investing principles and progress will be reported at future meetings.

Mr Latham then covered the following key points:

- WPP had an inter-authority agreement between all eight funds which confirmed reserved matters that remained the responsibility of the funds to agree, one of which being approval of the annual business plan and associated budget.
- Mr Latham highlighted the objectives from page 75 and confirmed they had not changed since the first business plan was created.
- The training plan was shown on page 80 and the budgets on page 81 .
- He noted that the external advisor budget had increased due to the recent appointment of Robeco, and also because Hymans Robertson as the Fund’s oversight advisor were completing extra work on private markets and RI.

Mr Hibbert asked whether the WPP and JGC believe that the Scheme Member Representative could be fully trained up in line with the training plan within their tenure. Mr

Latham said it was hard to speak on behalf of the WPP but believed this was the belief with the intention that the Deputy would be the next representative.

Regarding the second objective on page 75, Mrs McWilliam asked whether the WPP were doing anything to monitor the savings being created by asset pooling. Mr Latham responded that it was difficult to measure but the WPP were required to periodically provide a report on this to DLUHC. The WPP look at funds individually and provide reports on whether they believe they are still providing value for money.

Mr Hibbert did not support the second recommendation in the report, as he did not believe the Scheme Member Representative training plan was achievable.

RESOLVED:

- (a) The Committee considered and noted the JGC agenda.
- (b) The Committee approved the attached draft WPP Business Plan, including the objectives of the pool on page 7 and the budget on page 13, relating to the period 2022/23 to 2024/25.

196. **GOVERNANCE UPDATE**

Mr Latham introduced the Governance Update report highlighting it was usually for note but had a recommendation regarding MiFID II included in this report. Given the new members of the Committee, he talked through the report starting with the business plan update and said that the Fund were planning induction training for the new members on cyber risk and business continuity.

The Fund had been waiting for TPR new single code to be issued but this had been delayed even further.

Mrs McWilliam noted the following key points in relation to the Pension Board which she chairs:

- Phil Pumford was reappointed as Scheme Member Representative for the joint trade unions (as outlined in paragraph 1.02). The Chief Executive formally agreed this in line with the constitution and Mrs McWilliam noted how grateful she was for Mr Pumford's willingness to stand for a further term.
- The Pension Board meeting from 8 June included discussions on the proposed communication strategy, cyber security resilience and the actuarial valuation. They had discussed the website usage as the Board asked to see the number of people who viewed the website in Welsh language. It was noted that around 60 people were viewing the website in Welsh (out of thousands of people viewing it in English) so further work would be done in highlighting the option of the Welsh language version.
- The Board members were invited to complete a survey regarding the effectiveness of the Board's governance arrangements.

Mr Latham explained the background to the recommendation relating to the opting up to professional status for MiFID II as outlined in paragraph 1.05. The Fund was classed as a retail client which limits certain investment services that consultants and fund managers

provide unless they opt up to professional status. To be treated as a professional client, they must evidence that they have the appropriate knowledge to be able to make decisions based on the information provided. The previous Chief Executive (of Flintshire County Council) had responsibility for signing the opt up submissions but it was proposed that this should be now delegated to Mr Latham as Head of the Clwyd Pension Fund. The approved minutes of this meeting would be part of the submission to opt-up shared with consultants and fund managers.

As outlined in paragraph 1.06, Mr Latham summarised the developments relating to whether the LGPS is considered as Sharia compliant or not. He confirmed that legal opinion was being sought by the LGPS Scheme Advisory Board.

Mr Latham sat on the local authority committee of the Pensions and Lifetime Savings Association ("PLSA") and was involved in drafting the report as highlighted in paragraph 1.08. The report considers the challenges and opportunities in the LGPS.

Key areas regarding the policy, strategy implementation and monitoring were in paragraph 1.09 and included future training events for the Committee members to note and attend.

The Fund records and reports on any breaches of the law to each Committee. The new breaches added since the last Committee were addressed in paragraph 1.10 on page 91.

Delegated responsibilities was a standard item from paragraph 1.11 and appendix 7 included the updated Committee Delegations of Functions to Officers Schedule regarding the recommendation relating to MiFID II.

RESOLVED:

- (a) The Committee considered and noted the update.
- (b) The Committee agreed that completion and submission of any future applications to opt up to professional client status in respect of MiFID II is delegated to the Head of Clwyd Pension Fund.

197. **ADMINISTRATION AND COMMUNICATIONS UPDATE**

Mrs Williams confirmed that most of the detail covered at this update would be explained further at the induction training for new Committee members. Mrs Williams highlighted the following key points:

- The team were on track regarding the business plan as outlined in paragraph 1.01.
- In regards to the current developments in paragraph 1.02, progress was made on the McCloud programme (as attached in appendix 2). She explained that McCloud was an age discrimination case, which resulted in the need to recalculate some historical benefits and change processes going forward, but to do so they needed to collect further scheme member data from employers. Given the amount of work involved, the Fund have a dedicated McCloud project team who are currently focussed on correcting any impacted member records once they have received data from employers.

- The Fund were on plan against the actuarial valuation timescales and as mentioned above, the team were in the process of cleansing data and providing it to Mercer.
- As mentioned in paragraph 1.03, given the pay award for April 2021 was only awarded in March 2022, the team had to recalculate member benefits awarded over the past 12 months. This resulted in a large amount of work and this scenario was likely to be repeated when the 2022/23 pay award was finalised.
- Each year pensions in payment are increased so the team are required to apply this increase in time for the April pension payment and communicate the increases to all pensioners. This was another significant piece of work for the team.
- Members are automatically enrolled or can enrol in the 50/50 scheme, which was a more affordable option for members as an alternative to opting out completely. There has been a slight increase to the numbers of members opting out the scheme, which could be due to economic pressures, and so the team added further details regarding the 50/50 scheme on the opt out form. The team will monitor opt-out numbers going forward to consider what else can be done.

Mrs Williams explained that the 50/50 scheme permitted scheme members to pay half the contribution rate and in return they would receive half of the benefits for that period albeit death and ill-health cover was unaffected. The 50/50 scheme provided a more affordable option for members and so it was important to highlight this option to members who were considering opting out from the main scheme.

Cllr Rutherford said that he believed that members may not understand the value of the pension scheme and the value of staying in it and wondered whether there was any simple communication, which could be circulated highlighting the benefits, including tax implications, that they should consider before they opt-out.

Mrs Williams agreed with the sentiment and highlighted the lack of appreciation of amount the employer contributes on the members' behalf and also areas such as the death benefits. Ensuring members understood this when making the decision to opt-out is very important although it can be a complex message to get across. To help, the administration team since added key information on the 50/50 scheme at the top of the opt-out form. The team had also liaised with employers on the communications of this and were aiming to signpost this better on the website. She mentioned that the team were in the middle of interviews for the vacancy available for the communication officer role, given that the Fund wanted to improve in this area.

Mrs McWilliam had asked a communications specialist at Aon about this matter and their view was to focus on the members who were thinking of opting out. Doing a wider communication to all members could have a negative impact as it would highlight the ability to opt-out of the scheme.

Cllr Rutherford asked whether the Fund were doing any impact analysis on the type of members leaving the scheme or going 50/50 to identify where and how communications could be focussed. Mrs Williams said that this was not something the Fund had done, but they are now keeping records to better understand this. She noted that the Fund do not always know who has opted out and so the employers also need to consider this.

Mrs Carney said from a Flintshire County Council perspective they are monitoring this and now proactively speaking to those opting out to ensure they understand their options and the implications. She has been suggesting this to the other Councils too.

As mentioned earlier, Mr Latham sits on the PLSA LGPS committee and talks directly to the LGA. He said they recognise this issue but it was not clear what they were going to do about it. Given that schemes did not have clear sight of demographics and types of members, the only thing schemes can do is target communication effectively. Mr Latham hoped that the opt-out rates would become a national consideration as it was affecting all schemes. Mrs McWilliam agreed and said SAB had mentioned it as part of a recent conference.

On the last bullet point of paragraph 1.03, Mrs Williams completed a recruitment and retention survey as requested by the LGA, given that Funds were struggling to recruit and retain staff. The results would be shared nationally.

Lastly, paragraph 1.04 and 1.05 addressed the day to day workflow and the number of projects the team were involved in. She emphasised the team's hard work to keep on top of the increased workloads to ensure the deadlines were met.

RESOLVED:

The Committee noted the update.

198. INVESTMENT AND FUNDING UPDATE

Mr Latham noted the following key points:

- As reflected in paragraph 1.02, the Fund agreed a commitment of £12 million to invest in local areas including North East Wales. This was the first investment in the Flintshire Council area.
- The key process of the 2022 actuarial valuation for the Committee was summarised in paragraph 1.03. The FSS would be brought to the November Committee and Mr Latham emphasised this was key to the valuation and the Fund need to consult with employers on the FSS.
- When reviewing the FSS, considerations would be given to areas such as levelling up, responsible investment and climate change.
- The delegated responsibilities on paragraph 1.08 included cashflow monitoring and shorter-term tactical asset allocation decisions.

RESOLVED:

The Committee noted the update.

199. ECONOMIC AND MARKET UPDATE AND PERFORMANCE MONITORING REPORT

Mr Dickson noted the following key points regarding the economic and market update and performance monitoring report:

- He clarified that Q1 2022 represented the first quarter of the calendar year (i.e. 1 January 2022 – 31 March 2022).

- The invasion of Ukraine had a significant impact on the markets, in particular inflation and oil and gas prices. This fed into discussions, which Cllr Rutherford raised earlier regarding the cost of living crisis and high inflation.
- Central banks across the world have remits to keep inflation under control. With the increase in inflation partly, as a reaction to the invasion, central banks had tightened their monetary policies by raising interest rates. The Federal Reserve were due to meet today and expected to increase the base rate by 0.75%. This would have implications on market values.
- As determined from page 242, the biggest impact was on fixed income assets.
- Page 257 included the executive dashboard, but all items were green so there were no major areas of concerns for the Committee.
- The asset allocation of the Fund outlined on page 260, showed the total assets of the Fund at 31 March 2022 to be just under £2.5 billion. Page 260 also showed a pie chart with the benchmark allocation, which is what drives the Fund's expected investment returns.
- Page 261 summarised the performance of the Fund over Q1 2022, 1 year and 3 years. This summary identified the strong performance of the Fund in comparison to the actuarial target at the bottom of the table.
- A breakdown of the manager performance against the benchmarks was outlined on page 264.

Mr Latham added that the performance monitoring figures in the report were at 31 March 2022 and asked how the figures might have changed since then. Mr Dickson said the markets were extremely volatile and given central banks were raising interest rates; this was feeding into the markets. Mr Dickson did not have up to date figures to hand to the Committee but expected the assets to have fallen from the current position at 30 June 2022. He mentioned the importance of looking at the Fund from a longer-term perspective as the Fund would be paying benefits for decades so it was crucial to look at whether the Fund were investing appropriately for the longer-term.

Mrs McWilliam then asked what Mr Dickson's thoughts were about the markets and if he had any concerns about that longer-term view. Mr Dickson said the Fund was well diversified and will see many challenging economic periods, but he did not have any long-term concerns.

RESOLVED:

The Committee considered and noted the update, which included the performance of the Fund over periods to the end of March 2022.

200. FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK

Mr Middleman explained that this report looked at the financial health of the Fund and how the risks were managed. He added the following key points for the benefit of the new members who were less familiar with the objectives and operation:

- The Fund has protection against equity falls and a number of other key risks. The flightpath strategy's intention is to protect the Fund at the right time by hedging

certain risks but not at any cost, so there is a balance to be struck on how far you go and how much you are prepared to pay for protection.

- The framework was also designed to work as efficiently as possible.
- Mr Middleman emphasised the significant success of the framework with several hundred £m deficit reduction since inception despite many challenges throughout.
- The other key risks were inflation and interest rates given that the Fund's liabilities were directly linked to inflation. Therefore, given the increase in inflation rates, it was crucial to derive a strategy to deliver investment returns (which were in part related to interest rates) to offset the increase in liabilities. Otherwise, the contributions would increase and the employers would have to finance that.
- The framework also managed the currency risk and liquidity and collateral risks. In terms of operational aspects, Mr Middleman said the Fund needed to ensure any money being held to protect against these risks, were delivering the appropriate investment returns.
- As part of the governance of the framework, the Funding and Risk Management Group ("FRMG") consists of officers and advisors who manage the day-to-day delivery of the framework, and bring decisions back to the Committee to ensure the framework was working correctly.
- Paragraph 1.02 showed the Fund's progression since the 2019 actuarial valuation. The updated version to allow for the 2022 valuation results would be brought to Committee later this year.
- At 31 March 2022, the Fund was estimated to be 101% funded and therefore in slight surplus and ahead of what was expected at the last valuation by 8%. However, Mr Middleman believed the Fund would see a deterioration since then given the high inflation rate and therefore higher liabilities. He emphasised that the critical matter at the 2022 valuation and the funding strategy review is the level of inflation and its persistency into the future.
- As outlined in paragraph 1.03, the inflation rate hedge ratio was 40% and the interest rate hedge ratio was 20%, which means the Fund is partly protected against some of the risks. The Fund was in a strong position in comparison to other Fund's and had appropriate levels of protection in place. The hedging was at these levels due to the cost to increase it but it is possible as interest rates rise the protection could be increased.
- Paragraph 1.05 showed the equity protection strategy and how it was performing. The gains and protections from this prove that the strategy was doing what the Fund need it to do and working efficiently.
- As noted in paragraph 1.08, setting the inflation assumption for the 31 March 2022 actuarial valuation would be the critical aspect of the valuation. He believed that the pension increase awarded to pensions in payment and members CARE benefits could easily reach 10% or more in 2023. This would be great for members in the current environment, but from a Fund financial perspective it would increase liabilities materially. Consequently, the Fund's assets would need provide higher returns (all other things equal) to offset this increase in liabilities.
- As part of the 2022 valuation the FRMG looked at a range of inflation outlooks and considerations when considering the estimate of future inflation and this would be considered in the committee training on the FSS and valuation in

August and then at the November committee when the draft FSS is brought for approval.

- The executive summary on page 279 reflected the overview of how the framework was operating.

RESOLVED:

The Committee noted the update.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 31 August 2022 with training on the 24th August. It is possible one or both of these could be in person but members will be updated nearer the time. The meeting finished at 12:15pm.

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Chairman

Eitem ar gyfer y Rhaglen 4



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Clwyd Pension Fund Annual Report 2021/22
Report Author	Deputy Head Clwyd Pension Fund

EXECUTIVE SUMMARY

LGPS Regulations require the Clwyd Pension Fund (the Fund) to publish an Annual Report before 1st December 2022. The regulations and CIPFA best practice guidance advise on the content.

The draft Annual Report for 2021/22 is attached for member consideration at Appendix 1. The Annual Report includes the Fund's draft Statement of Accounts.

The Annual Report is required to include certain statutory information and this will be included in the report when it is published, along with signposting to non-statutory information which is felt relevant to the report.

The Fund's draft accounts are subject to review by Flintshire County Council's Section 151 Officer prior to the meeting, and he will provide any necessary feedback to the meeting.

At this stage Members are asked to consider the draft Annual Report.

Attached as Appendix 2 is a draft response to the Audit Enquiries Letter for 2021/22 from Audit Wales and Members are asked to note the response.

RECOMMENDATIONS

1	That Members consider the Fund's draft Annual Report for 2021/22, including the draft Statement of Accounts.
2	That Members note the Audit Enquiries letter and response.

REPORT DETAILS

1.00	Annual Report
1.01	<p>The Annual Report meets the requirement under Regulation 57 of the Local Government Pension Scheme (LGPS) Regulations 2013 which require Administering Authorities of LGPS pension funds to produce an annual report. In Wales this includes the year-end financial statements as there is no longer a requirement for these statements to be included as part of the administering authorities' own statements. The report has been written in accordance with the Regulations and guidance, most notably the guidance produced by CIPFA in 2019 entitled "Preparing the Annual Report".</p> <p>The report covers the activities of the Fund during 2021/22, a year which was dominated by the continuing impact of the COVID-19 pandemic e.g. remote working etc. alongside external factors such as the conflict in Ukraine and the impact of rising inflation. In spite of this, the Fund has continued to operate in a secure and efficient way, with the needs of members and employers being met effectively.</p> <p>Section 2 of the Annual Report is a summary by the Head of the Pension Fund which identifies key issues relating to the activity of the Fund during 2021/22. The summary is supported by more detailed reports from the fund's partners and senior officers. They are:</p> <ul style="list-style-type: none">- A report on the governance of the Fund, the training of Committee and Board members, and risk management- A report from the Fund's Independent Advisor- A report from the Pension Board- A report on the administration of the Fund- A report from the Fund's actuary- A report from the Fund's investment consultants- A report on the Fund's financial activity <p>In addition, the Fund's Statement of Accounts and Annual Governance Statement are included in the Annual Report.</p> <p>The Annual Report includes statutory and best practice policies and statements. These are not attached to the draft report as they have previously been approved by the Committee, but are available on the Fund's website. They will be included in the report when it is published. Other non-statutory information relating to the report, which is all available on the Fund's website, will be signposted in the published version of the report.</p>
1.02	<p>CIPFA updated the guidance they provide to Local Government Pension Schemes to ensure that their annual reports are completed in accordance with best practice in 2018/19, and have not updated that guidance since. The guidance has been followed wherever possible in the preparation of this report.</p>

2.00	Consideration, Audit and Approval of the Annual report
2.01	<p>The Annual Report is provided in draft format for Member consideration, and remains subject to audit. Colleagues from Audit Wales have indicated that the audit is likely to commence in October. The final version of the report will also be updated to meet accessibility requirements.</p> <p>The Fund is required to have an audited Annual Report published before 1st December.</p> <p>With regard to the Audit, attached as Appendix 2 to this report is an Audit Enquiries Letter for 2021/22 from Audit Wales along with a draft response from the Chair of this Committee. The receipt of this letter is normal practice, and is part of Audit Wales' overall approach to its audit of the accounts.</p> <p>The response is broadly the same as that submitted to Audit Wales in respect of the accounts for 2020/21. Changes are highlighted in yellow. Members are asked to note the response.</p>

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

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	None directly as a result of this report

5.00	RISK MANAGEMENT
5.01	The Annual Report and external audit both review and identify whether there are any risks that are not being managed by the Fund. These include strategic, operational and financial risks.
5.02	The external audit of the accounts will specifically consider financial risks and how well the Fund is managing those risks.

6.00	APPENDICES
6.01	<p>Appendix 1 – Draft Annual Report 2021/22</p> <p>Appendix 2 – Audit queries letter</p>

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	<p>None</p> <p>Contact Officer: Debbie Fielder, Deputy Head Clwyd Pension Fund Telephone: 01352 702259 E-mail: debbie.a.fielder@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>(a) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(b) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(c) CIPFA – Chartered Institute of Public Finance and Accountancy – professional institute for accountants working in the field of public services</p> <p>(d) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>

**Cronfa Bensiynau Clwyd
Clwyd Pension Fund**

Gweinyddwyd gan
Administered by



CLWYD PENSION FUND: ANNUAL REPORT 2021/22

Clwyd Pension Fund Annual Report 2021/22

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Appendix 9	Governance Policy and Compliance Statement	To be inserted into final
Appendix 10	Funding Strategy Statement	
Appendix 11	Investment Strategy Statement	
Appendix 12	Communication Strategy Statement	
For best practice documents, please go to:		
https://mss.clwydpensionfund.org.uk/home/investments-and-governance/		
- Business Plan		
- Administration Strategy		
- Breaches Policy		
- Risk Policy		
- Conflicts of Interest Policy		
- Training Policy		

Section 1

Introduction to the Clwyd Pension Fund Annual Report 2021/22

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2021/22.

The report covers in detail the activities of the Fund during 2021/22. Although the Fund did not experience the same level of business disruption as 2020/21 it was another challenging year and despite continued remote working for the team, and international financial market instability arising from the conflict in Ukraine and more recently, rising inflation, 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.

I am pleased to confirm that during the year the Fund maintained a fully funded position and continues to be ahead of timetable, which remains an outstanding achievement given external market factors. We will seek to consolidate and build on this position and await the outcomes of Actuary's triennial valuation assessment and an Investment Strategy Review during the year ahead, which will shape the Fund's strategic direction going forwards.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication, including Colin Everett, the former Chief Executive of Flintshire County Council who was a member of the Advisory Panel.

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

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

Section 2

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 a 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 and ensuring efficient governance and administration of the Fund. Against the continued backdrop of the COVID-19 pandemic, the Committee, Advisory Panel and Pension Board have again continued to function effectively during 2021/22.

The Fund is required to produce an Annual Governance Statement which is Section 3 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 which the Fund faces are often as a result of events outside the Fund's control. This was evident in the risks arising from the potential impact of the COVID-19 pandemic. 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.

Further details may be found in the Governance, Training and Risk Management Report which is Appendix 1 to this report. The Independent Advisor Report may be found at Appendix 2 and the Pension Board Annual Report at Appendix 3.

Funding

Despite volatility during the year caused by the pandemic globally, the conflict in Ukraine and more recently, the impact of rising inflation, the funding position has improved slightly during the year relative to the 31 March 2021 position, and by the end of the financial year it was estimated to still be fully funded, which is ahead of the 2026 target date for full funding.

A key part of the Funding Strategy Statement is the Fund's Flightpath Strategy, which is designed to provide stability of funding and stability to employer contribution rates in the long term. This has been monitored and revised during the year to ensure its continuing effectiveness.

Future challenges in respect of funding include:

- maintaining the funding level
- managing the impact of a very challenging global economic outlook, in particular rising inflation and interest rates, when considering the 2022 valuation outcomes
- considering the impact of climate change on the funding strategy (via modelling to be undertaken as part of the 2022 valuation)

The funding position (and contribution outcomes for all employers) are being reviewed in full by the Actuary as part of the 31 March 2022 actuarial valuation (with new rates becoming effective from 1 April 2023). The Funding Strategy Statement will also be updated and consulted on with employers as part of the valuation process.

Further details of the funding position may be found in the Funding and Flightpath Review which is Appendix 5 to this report.

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement (which was reviewed during 2021/22 and updated in February 2022). Each of these objectives reflects the Fund's desire to incorporate sustainability and act as a Responsible Investor in its investment approach.

During 2021/22 the Fund's investments returned 13.3% despite the volatility in the global markets caused by the ongoing COVID-19 pandemic, the conflict in Ukraine and rising inflation. Given the volatility experienced in recent years, it's important to view performance in the context of longer-term performance. Overall, the investments returned 9.9% per annum over the three years to March 31st 2022, compared to a benchmark of 8.9% per annum. The performance is also well ahead of the assumption of growth in the Funding Strategy Statement which is Consumer Price Index plus 2.25% per annum.

Key investment performers during the year were the Tactical Asset Allocation (20.3%), along with the cash and risk management allocation (17.9%), and the Private Market allocations, which returned 26.4%, whilst the Fund's allocation to equities returned 2.3%.

During the year the Fund continued to transfer funds to the Wales Pension Partnership in line with the direction of travel which will see more funds invested in the WPP investment structure over the coming years, which is seen as being more cost effective for the LGPS sector in Wales. In addition, the Fund has made a number of other movements of assets between fund managers and asset classes, in line with requirements of the Investment Strategy.

The Fund has continued to progress significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement (updated in 2022). In particular the Fund has approved a strategy 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 train its Committee members to aid their understanding of Responsible Investment. In addition, the Fund has continued to deploy allocations into sustainable investments, some with direct local benefit, and engaged with asset managers in relation to Responsible Investment principles.

Against the backdrop of continued market volatility in the early part of 2022/23, the 2022 actuarial valuation, and the current stagflationary environment, the investment strategy will be reviewed again later in 2022/23.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is Appendix 6 to this report. The updated Investment Strategy Statement can be found in Appendix 11.

Administration

The Administration and Communication Strategies frame the work of the Fund's Administration Team. The Administration Strategy was updated in March 2021, consolidating information previously held in employer Service Level Agreements. The Communications Strategy was updated in 2021/22 (and finalised in June 2022) and 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 31,000 cases involving all activities across the team were completed. During 2021/22 the Team has continued to deliver a high quality service despite the ongoing challenges posed by the impact of the COVID-19 pandemic.

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

- continuing to develop and implement a data improvement plan. Data Quality is improving and progress against the plan will continue to be monitored
- developing further Key Performance Indicators (KPIs) to help improve performance monitoring
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database
- improving accessibility to the Fund's website, and the quality of the website generally
- working closely with employers on compliance statements and through the Employer Liaison Team
- establishing a McCloud Programme to implement the remedy for the Fund once the LGPS regulations are amended (with the initial focus being on collecting historical data from employers)

Registration by members for use of Member Self-Service increased during the year. By 31st March 2022, 99% of member information was being updated by employers using the i-Connect system. The Fund continues to monitor performance using KPIs and introduced 6 new KPIs during 2021/22.

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

- involvement in the development of a new National Pensions Dashboard

- responding to possible changes resulting from the Cost Management Process and the proposed increase in minimum retirement age from April 2028.

Further details of the administration of the Fund may be found in the Administration Report which is Appendix 4 to this report.

Finance

The total net assets of the Fund (excluding cash) at 31st March 2022 was £2,375m. Total contributions for the year from members and employees together with transfers into the Fund were around £92m, with benefits and other payments to members about £88m. Total management expenses paid by the Fund was about £26m, with an increase in the Funds market value and income of about £261m. The Fund continues to transition assets to WPP with the intention of saving costs and improving returns on investments, and this will continue in 2022/23.

The Fund continues to operate within its budget. Key variances against budget during the year were underspends on manager fees, actuarial fees, administration employee costs and direct costs associated with the employer liaison team. Pooling fees were higher than budgeted for given the further transition of assets to the Wales Pension Partnership over the year.

Further details of the Fund's finances may be found in the Fund's Statement of Accounts which is Appendix 7 to this report, and the Financial Report which is Appendix 8.

Other information

Four key strategy statements also form part of this report. They are the Governance and Compliance Statement (Appendix 9), the Funding Strategy Statement (Appendix 10), the Investment Strategy Statement (Appendix 11) and the Communication Strategy Statement (Appendix 12).

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

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

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

Overall, despite a challenging year, the Fund has improved both financially and with the service provided to our members and employers. We will seek to both consolidate and improve in 2022/23 in line with the Fund's Mission Statement.

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.

Appendix 1 - Governance, Training and Risk 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 with 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.

Another key document is the Fund's three-year Business Plan. The version relating to 2021/2022 to 2023/2024 was approved at the Pension Fund Committee in March 2021.

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/>

Governance Structure

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 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 – www.flintshire.gov.uk. The membership of both the Committee and the 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>

Clwyd Pension Fund Committee

Committee Members		
Flintshire County Council	Cllr Ted Palmer (Chair)	
Flintshire County Council	Cllr Haydn Bateman (Vice Chair)	To May 2022
Flintshire County Council	Cllr Dave Hughes (Vice Chair)	Appointed May 2021 and appointed Vice Chair May 2022
Flintshire County Council	Cllr Billy Mullin	To May 2021
Flintshire County Council	Cllr Jason Shallcross	Appointed May 2022
Flintshire County Council	Cllr Ralph Small	To May 2022
Flintshire County Council	Cllr Antony Wren	Appointed May 2022
Flintshire County Council	Cllr Tim Roberts	To May 2022
Flintshire County Council	Cllr Sam Swash	Appointed May 2022
Denbighshire County Council	Cllr Julian Thompson - Hill	To May 2022
Denbighshire County Council	Cllr Gwyneth Ellis	Appointed May 2022
Wrexham County Borough Council	Cllr Nigel Williams	To May 2022
Wrexham County Borough Council	Cllr Anthony Wedlake	Appointed May 2022
Scheduled Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

Advisory Panel

Panel Members	
Chief Executive (FCC) (to 31 October 2021)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Senior Manager – Human Resources and Organisational Development (from 1 November 2021)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer)	Kieran Harkin
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon)	Karen McWilliam FCIPP

Clwyd Pension Fund Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representative	Steve Gadd	√
Employer Representative	Steve Jackson	√
Scheme Member Representative	Phil Pumford	√
Scheme Member Representative	Elaine Williams	√

Investment Managers

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.

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London

Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London
Russell Investments	Rex House, 10 Regent Street, London

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	12 Booth Street, Manchester
Independent Advisor: Aon Solutions UK Ltd	122 Leadenhall Street, London
External Auditors: Audit Wales	24 Cathedral Road, Cardiff
Bank: National Westminster Bank plc	48 High Street, Mold
AVC Provider: Prudential	121 King's Road, Reading
AVC Provider: Utmost Life & Pensions	Utmost House, 6 Vale Avenue, Tunbridge Wells
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.	

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Head of Clwyd Pension Fund	(01352) 702264
Debbie Fielder	Deputy Head of Clwyd Pension Fund	(01352) 702259
Karen Williams	Pensions Administration Manager	(01352) 702963
Pensions Administration	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance	pensionsinvestments@flintshire.gov.uk	(01352) 702812

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) 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. Details of how to access the Knowledge and Skills Policy are included in the contents page of this Annual Report.

Training Performance 2021/22

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. Due to continuing restrictions on face to face events, Members were provided training where possible by virtual platforms. During the year some conferences were held virtually and others in hybrid format, and many providers continued to offer webinar training events which some of the Committee and Board 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:

- a) 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.
- b) 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.
- c) 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.
- d) Induction training – ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2021/22 was as follows:

- a) Individual Training Needs – The last training needs analysis was completed in the Spring of 2020, which drove the training completed over 2020/21 and 2021/22. This biennial analysis is due to take place again in summer or autumn of 2022 to assess training needs over the next two years. Although this is outside of the two year target, it was deferred due to the Welsh

local authority elections in May 2022 which could impact on membership of the Pension Fund Committee.

b) Hot Topic Training – Of the designated hot topic training sessions, attendance has been as follows:

Course	Committee		Board	
	No	% attendance	No	% attendance
Funding / Flightpath 1	7	78%	1	20%
Fossil Fuel and Divestment	9	100%	4	80%
Responsible Investment Roadmap	8	89%	3	60%
Funding / Flightpath 2	3	33%	2	40%
Conflicts of Interest	7	78%	5	100%
Cyber Security	8	89%	5	100%
Tax / Annual Allowance	7	78%	5	100%

As can be seen, in the majority of cases the target attendance was achieved and attendance in general was higher than in 2020/21 even though there were more Hot Topic sessions in 2021/22 (7 compared to 3 in 2020/21).

c) General Awareness - Out of the combined 14 Committee and Board members, 10 (71%) completed at least one general awareness day in accordance with the policy. In percentage terms this is a decline from the previous year (when 10 out of 13 attended at least one day). We believe this is due to time constraints and possibly fewer training opportunities due to the ongoing pandemic.

d) Induction Training – Induction sessions were completed by May 2021 for 4 new members (3 Committee and 1 Board) who were elected in the 2020/21 year. The sessions were delivered within six months of joining for all but 1 of the new members. Recordings of the sessions were made available for those not able to attend. Similar training is currently taking place for the new members elected at the 2022 Welsh elections.

The following table details all the training provided to members of the Committee during 2021/22 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								
		Cllr T Palmer	Cllr H Bateman	Cllr B Mullin*	Cllr R Small	Cllr T Roberts	Cllr N Williams	Cllr J Thompson-Hill	Cllr D Hughes*	Cllr A Rutherford
	Meeting									
Nov 21	Annual Joint Consultative Meeting				✓				✓	✓
Jun 21	Committee meeting June	✓	✓		✓	✓	✓	✓	✓	✓
Sep 21	Committee meeting September	✓	✓			✓	✓	✓	✓	✓
Nov 21	Committee meeting November	✓	✓		✓	✓		✓	✓	✓
	Hot Topic									
Apr 21	Funding / Flightpath 1	✓	✓	✓	✓	✓	✓			✓
May 21	Fossil Fuel and Divestment	✓	✓	✓	✓		✓	✓	✓	✓
May 21	Responsible Investment Roadmap	✓	✓	✓	✓		✓	✓	✓	✓
Jul 21	Funding / Flightpath 2							✓	✓	✓
Nov 21	Conflicts of Interest	✓	✓		✓			✓	✓	✓
Dec 21	Cyber Security	✓	✓		✓	✓	✓		✓	✓
Jan 22	Tax / Annual and Lifetime Allowances	✓	✓		✓	✓			✓	✓
	General Awareness									
May 21	PLSA Conference May 2021									✓
Jun 21	LGC Conference									✓
Jun 21	Sustainable Investment Forum Conference									✓
Jun 21	PLSA ESG Conference June 2021								✓	✓
Jul 21	PLSA ESG Conference July 2021								✓	✓
Sep 21	LGC September Conference	✓			✓				✓	
Oct 21	PLSA conference October 2021									✓

Dec 21	LAPFF Conference											✓
Jan 22	LGA Annual Conference											✓
	Induction											
Apr 21	Investment Practice	✓			✓			✓				
Apr 21	Administration	✓						✓				
Apr 21	Accounting Audit & Procurement	✓			✓							
May 21	Communications	✓						✓				
	Other Wales Pension Partnership Training											
Apr 21	WPP Training Private Markets & Fund Wrappers		✓	✓	✓							
Jun 21	WPP Emerging Market Managers	✓										
Jul 21	WPP Training RI benchmarks and Reporting				✓						✓	✓
Sep 21	WPP Operator Role (JGC only)	✓										
Oct 21	WPP Performance reporting / ACS Roles and Responsibilities			✓		✓			✓	✓	✓	
Jan 22	WPP Pools / Collaboration	✓	✓				✓		✓			
Mar 22	WPP Good Governance / Cost Transparency	✓						✓	✓	✓		

*Cllr Mullin left the Committee in May 2021 and Cllr Hughes, a former Chair, re-joined the Committee in May 2021

In addition, Committee and Board members are encouraged to attend other suitable events. The scheme member representative of the Committee attended a further 31 training events including Unison Carbon Tracker Initiative, Aon's Pensions Dashboard and Climate and Just Transition Pensions events, Pensions Lifetime Savings Association (PLSA) – ESG (Environmental, Social and Governance) Conferences and the MOT for Liability Driven Investment event and Hymans' and Mercer's Valuations 2022 training events.

As the new Policy came into force mid-way through the year, not all of the training attended by Senior Officers has been fully recorded. As a result, they have not been included within the training performance statistics above.

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 focusses 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.

Significant Risks

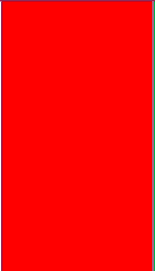

Overall the next few years will continue to be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the risk register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which, as at March 2022, 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.

Since March, as you can read in other areas of this report, some of these risks have changed and there are other risks that are now more significant or not meeting their target risk exposure. The tables also show the latest agreed actions.

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 2022	Target Risk Status	Further Action
<p>Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit)</p> <p>- current issues include age profile, implementation of asset pools and local authority pay grades</p>	<p>Services are not being delivered to meet legal and policy objectives</p>			<p>1 - Recruit to vacant governance, administration, communications, business, Fund accountant and Trainee Fund accountant roles</p> <p>2 - Ongoing consideration of business continuity including succession planning</p> <p>3- Action plan being developed for recruitment, retention, succession planning</p>

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Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	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			1 - Consider as part of Triennial Actuarial Valuation
<p>1. Responsible Investment (including Climate Change) is not properly considered within the Fund’s long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor</p> <p>2. WPP does not provide CPF with the tools to enable implementation of RI policies</p>	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.			<p>1 - Implement Strategic RI Priorities, including ongoing analysis of the Fund’s carbon Footprint. Identify sustainable investment opportunities and improve disclosure and reporting</p> <p>2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool</p>

Tudalen 41

Administration & Communication

Tudalen 42

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	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 (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues			1 - Ongoing recruitment of vacant posts 2 - Action plan being developed for recruitment, retention, succession planning
Employers: - don't understand or meet their responsibilities - don't have access to efficient data transmission - don't allocate sufficient resources to pension matters (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues			1 - Implement new process for employers relating to service standards
Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and potential exit cap)	High administration costs and/or errors			1 - Review pension admin system contract 2 - If delays in system upgrades, look for alternative solutions to administer regulatory changes

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2022	Target Risk Status	Further Action
System failure or unavailability, including as a result of cybercrime and Covid-19	Service provision is interrupted			1 - Develop updated business continuity plan for CPF 2 - Implement remaining elements of cyber strategy 3 - Develop post Covid-19 approach to working arrangements

Appendix 2 - Independent Adviser's Report

Annual Report of Karen McWilliam

This annual report is written in my role as Independent Adviser to the Clwyd Pension Fund, focusing on the year 2021/22.

At a glance...

The year 2021/22 has proven to be a different kind of challenge in respect to previous years, as we emerge from the COVID-19 pandemic. It is with pride that, in this report, I share how the Clwyd Pension Fund officers, Pension Fund Committee and Pension Board members have adapted to the “new normal” and managed to make significant progress on many areas, including:

- approving a Fund Cyber Strategy and making excellent progress in better understanding the Fund's resilience to cybercrime
- making excellent progress against responsible investment priorities and agreeing a new net-zero target and interim carbon reduction targets
- continued improvement in administration performance, despite continuing increases in case numbers, and large increases in members using the self-service facility.

So much has been achieved in this virtual environment despite the difficulties faced which is of great credit to all involved, and in my view the overall management and governance of the Fund continues to be in an extremely good position.

Going forward my biggest concerns relate to the number of major projects and developments that need to be delivered in the next few years, most of which are driven by national changes; this is against a backdrop of difficulties in recruiting and retaining staff (and potential retirements within the pensions team). Although the commitment and dedication of those involved in managing the Fund and on the operational side of delivering these changes alongside day to day business is exceptional, solutions will need to be found to fill existing vacant positions and to manage ongoing challenges with recruitment and retention.

My role

My remit is to 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 associated with governance, investments, funding, administration and communication.

It should be noted that I am not required to be, nor indeed am I, an expert in all of these areas. In particular, the Fund already has an appointed Actuary to advise on funding matters and an appointed Investment Consultant to advise on investment matters. I therefore use my working knowledge in these areas (and close working relationship with those appointed advisers) to specifically advise on the governance of these areas rather than on these areas themselves.

This annual report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2021/22 (April to March), but also touches on some developments that have taken place after March 2022. I also highlight some of the ongoing challenges the Administering Authority will face both in the short term and in the longer term.

Effective Governance



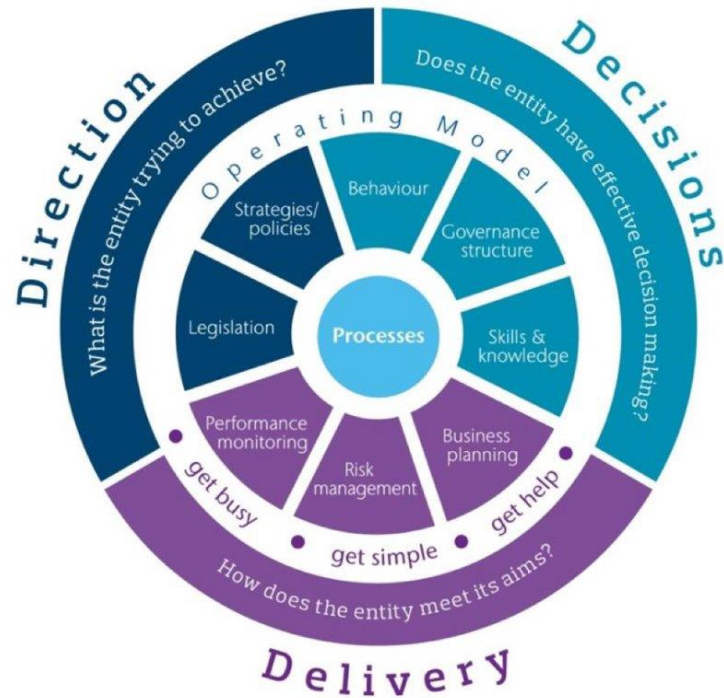
Key Benefits

There are some key benefits from having effective governance in place, including:

- 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
- A clear view of how the Fund is being operated for the Pension Fund Committee.

The approach I take in advising the Administering Authority is to consider its approach to governance against the Aon governance framework. The Aon governance framework incorporates our beliefs about what it takes to achieve good governance, and considers the following key areas:

- **Direction** – having clear strategies and policies that also meet legislative requirements are 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, 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.



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

- the overall **governance** (i.e. management and decision making) of the Fund
- having an appropriate approach to **funding** the liabilities
- the safeguarding and **investment** of assets
- the **administration** of the scheme members' benefits and
- **communications** with the Fund's stakeholders.

Observations

In this section I consider the progress made in the key areas of focus for the Fund, as well as highlighting my thoughts for the future.

Governance



Key Achievements

- Approval of a Fund Cyber Strategy and excellent progress in better understanding of the Fund's cyber resilience in line with the Pension Regulator's expectations.
- Excellent results in a survey to establish the Pension Fund Committee's views on the effectiveness of their meetings and governance arrangements.

The Fund went into 2021/22 in a strong position with governance arrangements that were well established, including stability in the **Pension Fund Committee's membership**, and operating well, despite the challenges faced as a result of the COVID-19 pandemic. Although **Pension Fund Committee meetings** were held virtually throughout the year, based on my observations as well as feedback in a survey of Committee members, they have proven to be effective.

Pension Fund Committee members were supported with a considerable amount of internal training, mainly focused on areas relating to decisions required by the Pension Fund Committee. Comparing the training undertaken over the year with the objectives set out in the **Knowledge and Skills** Policy, I see that in most cases the Fund met the required objective for attendance by members at essential training sessions, however, this was not the case for all of the essential sessions. However, where training was deemed "desirable" or "optional" (which includes attendance at externally hosted training and events), it was found that attendance was lower than the Policy's overall objective with regards to attendance at training sessions over the year.

The **Chief Executive of Flintshire County Council**, Colin Everett, left his position in the autumn of 2021. As the Administrator of the Fund he played an integral role in advising the Committee and as part of the Advisory Panel, particularly in relation to national matters and matters involving wider Council responsibilities. Following discussions with Colin and the new Chief Executive Neal Cockerton, Colin's position on the Advisory Panel was replaced by the Senior Manager – Human Resources and Organisational Development (held by Sharon Carney). There was a long period of succession planning to ensure Colin's departure had no detrimental impact on the Fund's governance.

Turning to the key areas in the Fund's business plan, good progress has been made in all of these areas:

- Significant headway has been made on assessing the Fund's **cyber security resilience**, and embedding cyber risk management into the Fund's ongoing work, which is very much in line with TPR expectations. This work was codified when the Fund put in place a Cyber Strategy which was approved at the March 2022 Committee meeting. The adoption of this strategy was supported by training which was provided for all Committee and Board members in December 2021. During the year, the Fund developed a data and asset map which sets out the flows of the Fund's data and assets as well as assessing the relative cyber risk associated with these flows. From this mapping, the Fund commenced its programme of carrying out cyber assessments of the organisations associated with the data and asset flows, to better understand any cyber risk. These assessments involve guidance from cyber security experts and the Committee and Board were provided with the findings. The subject was added as a standing item on Pension Fund Committee and Board meetings allowing them to monitor the Fund's progress in this high risk area.

- A Fund specific **Business Continuity** Policy was approved by the Committee in March 2021, and during the last year, the Fund officers have been carrying out a business impact analysis, documenting the current resources required for effective running of the Fund alongside any current business continuity strategies, which is now being used to develop a new business continuity plan.
- The Fund carried out a **survey into the effectiveness of the Pension Fund Committee**. Various key areas were covered including the format of meetings, the format and quality of information provided, knowledge, skills and understanding, administration of committees and the governance structure. I was encouraged to see an overwhelmingly positive response from the members of the Committee across nearly all areas considered by the survey, especially considering the move to virtual meetings as a result of the COVID-19 pandemic. The main area of feedback for improvement was around the format of meetings, with an overall view from the survey was that whilst virtual meetings and training sessions did not have a significant detrimental impact in the running of the Fund, they were less effective overall and more face to face meetings would be preferred. The Fund's Advisory Panel is looking to consider how the results of the survey might affect the way the Committee meetings are held in future, whilst having regard to FCC policy and legal requirements.
- A number of the Fund's **governance related policies** were reviewed during the year, namely the Knowledge and Skills Policy, the Procedure for Recording and Reporting Breaches of the Law, and the Conflicts of Interest Policy. The most notable changes were to the Knowledge and Skills Policy, which was reviewed in light of the changes to the CIPFA Code of Practice and Framework on LGPS Knowledge and Skills. The key here was an increased emphasis on the level of knowledge, skills and training to be had by Pension Committee members, and S151 officers in order to execute their responsibilities adequately. The updated Policy introduces greater clarity on these areas, albeit in the period since I've been involved with the Fund, it has always been extremely proactive in this area. However the ongoing cycle of changes to Committee membership means this is and will continue to be an important area of governance for the Fund.

Resourcing continues to be an area of concern for the Fund and perhaps my biggest concern in relation to the governance of the Fund. They have had a number of vacant positions that have remained vacant for a considerable period of time. Currently the Fund's finance team is worst affected as the team of seven currently has three vacant posts, leading to some significant challenges including the need to make greater use of consultants to ensure that the Fund's objectives and legal responsibilities continue to be met. Recruitment is proving a challenge, particularly given the constraints of local authority pay structures and the limited number of people with the necessary knowledge, and this will be an area of focus going forward.

More generally:

- I feel that the current **governance structure is well established** and is working as intended. The involvement of scheme member and employer representatives on both the Committee and the Board continues to be extremely valuable. The structure has been proven to allow decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times such as with the pandemic, and due to changes in Committee members.
- **Attendance at Committee, Board and Advisory Panel** meetings has been excellent throughout the year, despite the challenges presented by virtual meetings.
- The **Pension Board** continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). The Board have produced a separate report (which can be found in the Fund's annual report and accounts) which outlines the work they have undertaken, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the overall management of the Fund.
- I continue to be pleased to see all those involved in the governance of the Fund demonstrating a strong understanding of the potential **conflicts of interest** that can arise and following the requirements of the Fund's Conflicts of Interest Policy. A number of potential conflicts were properly highlighted before or during meetings and they were managed appropriately. Perhaps the most challenging potential conflict of interest the Fund faced (and will continue to face) is in relation to climate change, and particularly the setting of net zero targets or expectations in relation to the Fund divesting from fossil fuels. This matter was tested during the year as motions and questions were received from the participating local authorities. I was pleased to see the appropriate separation of responsibilities between the Fund and employers, with the Pension Fund Committee agreeing a net zero target for the Fund which appeared appropriate (based on the investment consultants' advice). 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 of Fund responsibilities is considered regularly and forms a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and are working hard to continuously develop robust internal controls where feasible.
- A wide range of **performance measures** are in place across Fund matters including the areas of administration, investments and funding, and further measures are being developed as the Fund's strategies evolve (such as further communications key performance indicators and measures relating to carbon emissions relating to the Fund's assets). These are integral to the day to day management of the Fund and provide assurance that issues can and will be

identified in a timely manner, as well as enabling the Administering Authority to evidence strong or improving performance in many areas.

- **Business planning** continues to be integral to the day to day running of the Fund. The 2021/22 to 2023/24 business plan was approved in March 2021 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it particularly during the pandemic.

My opinion is that the governance of Clwyd Pension Fund continues to compare extremely well to the Aon Governance Framework. The Council identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to business planning and to risk management. The Council's governance structure for Fund matters works well, as mentioned above, and the individuals charged with managing the Clwyd Pension Fund are engaged, committed to their roles and well trained.

Looking to the future:

There are several matters relating to governance that I will be particularly interested in during 2022/23, most of which have been included in the Fund's ongoing business plan which was approved in March 2022:

- Following the Welsh local authority elections there has been a significant change in the membership of the **Pension Fund Committee**. There are now five new members in the nine person Committee. Intensive induction training is taking place over the summer and attention will need to be paid to ensure new members are supported as well as possible over their term.
- There were two governance related national initiatives which were delayed again last year. **The Pension Regulator's (TPR's) New Single Code** which will replace TPR's Public Service Code of Practice, is expected to come into force in the autumn of 2022, and the **Department for Levelling Up, Housing and Communities (DLUHC's) Good Governance review** consultation is also outstanding. These are expected to encompass some overlapping themes, such as increased clarity on the need for high standards of knowledge and skills, and the proper management of potential conflicts of interest. The DLUHC Good Governance consultation is expected to require wider governance compliance reporting and perhaps also an independent audit. When these are issued, I expect the Fund to be well-placed to meet the requirements contained in the new requirements as a result of the hard work carried out by the Administering Authority in the past few years.
- As mentioned previously, work has already commenced on updating the Fund's **business continuity** arrangements and on managing **cybercrime risk**. In particular, the Administering Authority is seeking to ensure that the up to date business continuity plan is finalised over the course of the year as well as ensuring they have embedded the requirements of the cyber strategy.

- There are two **appointments to the Pensions Board** which will require to be considered over the year. I am delighted to note that one of these has already been finalised and that Phil Pumford has been reappointed as representative trade union scheme member to the Pension Board. He was renominated and has kindly agreed to hold the position for another three to five years.
- More generally, the next few years are clearly going to be difficult for LGPS administering authorities given the plethora of changes and initiatives mainly from UK Government. It will be critical that the Administering Authority proactively consider the need for changes to the **existing staffing structure** throughout this period to minimise impact on the services being provided to the Fund's stakeholders, whilst still proactively delivering and meeting expectations on these new initiatives.
- That being said the **recruitment and retention of staff** is already causing problems and a major concern, along with recognising that a number of the team could choose to retire before the end of the decade. This is a fundamental risk to the running of the Fund. The Administering Authority is bound by Flintshire County Council's policies surrounding recruitment and retention of staff, including levels of pay. I expect that this will be an area of focus going forward, and that the Fund officers and the Committee will work with Flintshire County Council to help manage this risk and find ways to improve recruitment and retention.

Funding and Investments (including accounting and financial management)



Key Achievements

- Excellent progress against responsible investment priorities
- Agreeing a new net-zero target and interim carbon reduction targets
- Strong position shown in the interim funding review

I work closely with both the Actuary and the Investment Consultant to the Fund, and each will produce their own report, so this area of my report focusses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

- Ongoing work on delivering the Fund's **responsible investment priorities**, which has included formally requesting establishment of a Sustainable Active Equity fund by Wales Pension Partnership (WPP), a number of local and impact investment opportunities including the groundwork for the first direct investment in clean energy projects in Wales through a Separate Managed Account (again this is a first for the Fund). Good progress is clearly being made in this area.

- Following extensive analysis, a new **net-zero** target of 2045 was agreed for the Fund's investments as well as specific interim carbon reduction targets, all of which were built into the Investment Strategy Statement. This is a key step in ensuring the Fund is on track to meet the **Task Force on Climate-Related Financial Disclosures (TCFD)'s requirements** of transparency on the Fund's commitments. Due to the complex nature of this topic, specialist training and briefing sessions were held with the Committee.

The **asset pooling in Wales** arrangements, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned across to WPP. Though some assets are yet to be transferred, and indeed there has been an exceptional amount of work taking place in relation to the private market and emerging markets transitions and I was pleased to see the Fund officers being fully involved in the development of these areas given Clwyd Pension Fund has a large proportion of assets in this area. Otherwise, there is a general feeling of business as usual in relation to the Fund's investments with WPP.

Some of the reporting from WPP is still not as customised as is needed; this relates to engagement on environmental, social and governance matters with companies that are being invested in and also stock lending reporting. This is something that has been discussed at the Clwyd Pension Fund Committee and officers are working with WPP to ensure this is resolved.

During the year the Fund were advised of the likely purchase of the Pool's Operator, Link Fund Solutions. This is clearly something that will need to be monitored to understand the implications of this transition to a new owner.

I was also delighted that WPP became a signatory of the UK Stewardship Code 2020 which comprises a set of 12 'apply and explain' principles for asset owners. There is a significant amount of work in meeting the Code's requirements and also then completing the application to become a signatory. My congratulations go to everyone who has and continues to be involved in the work of WPP.

Despite WPP now very much established, the amount of work involved by Fund officers, especially the Head of Clwyd Pension Fund (Philip Latham) and the Deputy Head of Clwyd Pension Fund (Debbie Fielder) continues to be substantial. It is important to ensure that the Fund is appropriately resourced to allow this to continue. I would also highlight the key role of the Chair of the Clwyd Pension Fund Committee (Councillor Ted Palmer) for his attendance and input at the meetings of the WPP Joint Governance Committee over the year.

I am aware that the dedication and commitment of Clwyd Pension Fund officers continues to be integral to the success of WPP as well as ensuring alignment with the Fund's strategies. I am also particularly pleased to see their involvement at a national level on various working groups and initiatives, bringing greater insight and expertise to the Administering Authority.

During the year, the Fund Actuary carried out his **interim funding review** to provide assurance on the funding strategy and assist employers in longer term budget setting, given the triennial actuarial valuation due at 31 March 2022 will likely impact on employer contribution rates. It was pleasing to see the results of the review which suggested a funding level of approximately 103% and also pleasing to note the early engagement with employers.

Looking to the future:

- The key funding project for this year will be the **Funding Strategy Statement review and triennial actuarial valuation** as at 31 March 2022. I would hope to see a well-managed process with good employer engagement.
- Concurrently with the review of the Funding Strategy Statement, the Fund will also review its **Investment Strategy Statement** over the coming year. The review will also have regard to DLUHC's recently published Levelling Up agenda and the requirement for LGPS Funds to draft a mandatory plan setting out an ambition as to how they will allocate at least 5% to "new" local investments. Again, from a governance perspective I am pleased to see this is being considered as part of the triennial actuarial valuation, as I recognise that funding and investment are heavily interrelated.
- From an investment perspective, implementing the Fund's **Responsible Investment priorities** will remain the most critical element of work over the next year. It is a complex area and the options may have a number of risks and opportunities associated with them. We are expecting a consultation from DLUHC during late summer 2022 that will explore how the LGPS should adopt the requirements of The Task Force for Climate-Related Financial Disclosures (TCFD). I look forward to seeing more robust performance measures and reporting to emerge from this area. I am also mindful of the potential for pressure coming from other parties including carbon pressure groups, employers and governments to align the Fund's investment strategy with their views or to invest in particular initiatives. It is critical these matters are well thought through with robust due diligence carried out as decisions are being made and thorough monitoring during and after implementation. The Committee need to ensure they make investment decisions having regard to their fiduciary duty to scheme members and employers.
- As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund will look to become a signatory to the **UK Stewardship Code 2020** by submitting its report by October 2022. I wish the Fund well with their submission.
- It is also worth noting that the **WPP's Operator contract** with Link Fund Solutions is due to cease in December 2024 (having been extended for two years to then). As such a critical supplier to all Welsh LGPS Funds, this is a matter that will be on my radar for the next few years. I will also continue to monitor the news surrounding the sale of the Operator, and the outcome on the FCA's case against them on the collapse of Woodford Equity Income Fund, which may need to be managed going forward.

Administration and Communications



Key Achievements

- Continued improvement in administration performance demonstrated, despite continuing increases in case numbers
- Member self-service providing increased support for scheme members during the pandemic and major increase in registered scheme members
- i-Connect employer functionality now covers all active employers

Work has continued on the **McCloud remedy programme** undertaken by the Fund's administration team which is a major piece of work for the team and will continue for a number of years. A separate programme team was established at the outset of the programme which has enabled the Administering Authority to continue to make progress in this area with minimal disruption to the ongoing governance of the Fund.

There has been a delay in the DLUHC's consultation response and draft LGPS regulations which are now expected in Autumn 2022 and are due to come into force by 1 October 2023 (noting previously this was "on" 1 April 2023). Employer data to allow recalculation of benefits for the remedy period (1 April 2014 to 31 March 2022) continues to be received with the expectation that this will be complete by the Autumn of 2022 for the vast majority of employers. The communication with employers has been excellent and members have been kept informed of the progress of the remedy on a regular basis. I have been pleased to see a continuation of the regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads and service standards**, 2021/22 was another busy year for the team with over 35,000 administration cases coming into the pensions administration team, an increase of over 6,000 compared to 2020/21. Despite the continuing resourcing challenges, the administration team managed to increase the amount of cases they can complete, remaining on top of this increased workload. I was also delighted to see that the number of outstanding cases had fallen below 5,000 for the first time since the August 2016 which is an outstanding performance.

Key performance indicators are monitored for the main processes including dealing with retirements, quotations of benefits, deaths and providing information to new scheme members. The team has also started tracking 6 new KPIs over 2021/2022. These are not related to legal requirements but will help to ensure the increasing efficiency of case management within the team. The overall percentage of cases completed within the service standard relating to internal timescales for the administration team rose substantially (nearly 8%) compared to the previous year, with 85% of cases completed within the agreed service

standard. I was pleased to see that the two measures which are arguably of greater importance also demonstrated significant increases in the number of cases meeting the service standard:

- Service standard relating to legal requirements – 90% (increase of nearly 14% on 2020/21)
- Service standard relating to overall process time – 70% (increase of nearly 9% on 2020/21).

Both these measures have shown fantastic improvement over the last 2 years, with the number of cases meeting the legal timescale improving by nearly 20% over the last two years. This continued improvement is particularly positive and I am delighted by the performance of the team who deserve credit for their achievements.

The **Member Self-Service (MSS) facility** is the Fund's default mode of communication and engagement with Fund members. The number of users of the system has grown to 50% of scheme members as at 30 April 2022, which is a growth of over 13% during the year. As well as providing instant access to certain information and tasks for scheme members, this provides much greater efficiency for the Fund's Administration Team. In the spirit of providing better and more effective member service, the team have been working on improvements to allow scheme members to carry out more processes using the MSS facility, again making it more accessible for those who wish to use it. The officers have worked hard over the year to improve their contact with members who were neither receiving paper communications nor registered on MSS. These exercises have taken place for active and pensioner members of the Fund and have greatly improved the take up of MSS over the year. In total the proportion of the Fund's membership who have positively opted for communications through either MSS or paper communications is around 65% of the membership.

The roll out of **i-Connect**, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems, commenced in 2017/18. I am delighted to report that all remaining employers have now signed up on to the live system and data is being submitted in respect of all active members in the Fund, which is excellent news as TPR actively encourages this form of data submission. The Clwyd Pension Fund's Administration Strategy has also been updated to reflect this new medium of transferring employer information.

The Fund relies on employers to deliver their information to the Fund on time so that legal requirements and the Fund's KPIs can be met. Unfortunately, this is not always the case. However, during the year, the Fund officers developed **reporting metrics for employers** so that they are better able to monitor whether notifications of new members to the scheme, leavers and retirements are all being sent by the Fund's employers within agreed timescales. Employers now receive monthly communications showing how they performed in the previous month, with the Fund officers actively engaging with employers to help them meet the requirements. This is an excellent development that allows employers to reflect on their processes around

gathering and providing data and make any alterations required to ensure that the Fund receives the data on time and is therefore able to meet the legal and KPI requirements. It also allows the Fund to monitor this on an ongoing basis to quickly identify issues that might be impacting on overall timescales. This is an excellent system set up by the Fund, and as far as I'm aware, very few LGPS Funds carry out monitoring and engagement at this level.

Overall, my general opinion is that the Clwyd Pension Fund compares extremely well to the Aon Governance Framework in the areas of administration and communication. The Administering Authority identifies and sets out clear objectives, has an excellent level of performance measurements in place and demonstrates robust business planning and risk management. The knowledge and understanding of the existing individuals within the Fund is excellent, and the Pension Fund Committee's and Board's engagement on administration is also excellent.

Looking to the future:

- The **McCloud remedy** is going to remain to be a major programme of work and the greater part of this work will be carried out within the pensions administration team. The significant operational cost of the work, including the additional resources, is likely to only benefit a small proportion of scheme members. Given the magnitude of this work, it will need to be well controlled and resourced, with robust quality checks and efficiencies gained through bulk processing where at all possible. It is putting a strain on employers in providing data which will need to continue to be well managed, recognising the differences in how employers hold and can collate their own data. Further, communications will need to be clear and focussed on individual circumstances.
- The staging deadline of the **National Pensions Dashboard** has now been moved to September 2024, delayed by five months from the previous deadline of April 2024 so that funds are provided with more time to implement the McCloud remedy. That being said, the movement to this platform will be another major project requiring significant resource from the Clwyd Pension Fund team in the coming years.
- The Pension Committee signed off on the Fund's new **Communication Strategy** in June 2022. This was a substantial review of the strategy, with emphasis on more accessible and engaging communications. I look forward to seeing the changes that will be made to adhere to the new strategy and the impact of increased active engagement on the Fund's stakeholders as a result.
- The main immediate focus is to ensure timely, accurate and complete submission of data in order to ensure that the **triennial actuarial valuation** as at March 2022 can be completed smoothly, and at the point of writing, this was all going to plan.
- Given these projects, the other area of key focus for the Administration Team is ensuring **day to day business as usual** tasks are not impacted and my previous points about recruitment and retention will be critical to this.

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 continuing to make me extremely welcome, and for being so open and receptive to my many suggestions. I would also like to recognise the Committee members who we have said goodbye to this year, and also Colin Everett the Chief Executive who left last year, for their time and commitment to service of the Clwyd Pension Fund, its members and employers. I remain extremely impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement I see from the Pension Fund Committee and Pension Board members who continue to dedicate many hours to Committee / Board business.

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Appendix 3 - Pension Board Annual Report

Introduction

This is the annual report of the Clwyd Pension Fund Board covering the financial year from 1 April 2021 to 31 March 2022.

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. 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 regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision-making role. For the Clwyd Pension Fund (the Fund), we have very much embraced this role as being about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and officers of the Fund in the hope that the questions we ask, and the challenge 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 these roles for a period of between three and five years, although we may be reappointed for future terms if we are selected again through the recruitment process.

Membership, meetings, training and attendance

Our Board membership during 2021/22 is shown in the table below.

During 2021/22 we held three Pension Board meetings (in June 2021, September 2021 and February 2022), all of which were virtual due to restrictions put in place as a result of the pandemic. Attendance at the Board meetings during 2021/22 was as follows:

		June 2021	September 2021	February 2022
Mr Phil Pumford	Member Representative	√		√
Mrs Elaine Williams	Member Representative	√	√	√

Mr Steve Jackson	Employer Representative	√	√	√
Mr Steve Gadd	Employer Representative	√	√	√
Mrs Karen McWilliam	Independent Chair	√	√	√

The meetings were also attended by the Board Secretary (the Head of Clwyd Pension Fund) and Pension Fund Officers who support the Pension Board, with the exception of the September 2021 meeting when the Board Secretary sent their apologies.

As members of the Pension Board, we have all committed to meeting the requirements of the Clwyd Pension 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 2021/22 to complement the induction training we undertake on appointment. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

The Fund specifies the number of Board members who are required to attend essential training sessions. The Knowledge and Skills 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 essential training sessions since the policy was formally agreed by the Pension Fund Committee in September 2021.

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

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Independent Chair
Committee Meetings					
June 2021		✓	✓		✓
September 2021			✓		✓
November 2021		✓			✓
February 2022		✓	✓		✓
March 2022		✓	✓		✓
Other Meetings					
Annual Joint Consultative Meeting	✓	✓			✓
Hot Topic (essential training)					
Funding / Flightpath 1			✓		✓
Fossil Fuel and Divestment		✓	✓	✓	✓
RI Roadmap			✓	✓	✓
New TPR Code / Pension Scams (Board only)	✓	✓	✓	✓	✓
Funding / Flightpath 2			✓	✓	
Conflicts of Interest	✓	✓	✓	✓	✓
Cyber Security	✓	✓	✓	✓	✓
Tax / Annual Allowance	✓	✓	✓	✓	✓
General Awareness					
CIPFA Annual LPB Conference		✓			

Induction					
Investment Practice	n/a	n/a	✓	✓	n/a
Administration	n/a	n/a	n/a	✓	n/a
Accounting Audit & Procurement	n/a	n/a	n/a	✓	n/a
Communications	n/a	n/a	n/a	✓	n/a
Other Wales Pension Partnership Training					
WPP Training Private Markets & Fund Wrappers			✓		
WPP Training RI benchmarks and Reporting			✓		
WPP Performance reporting / ACS Roles and Responsibilities			✓		
WPP Pools / Collaboration			✓		
WPP Good Governance / Cost Transparency			✓		✓

What has the Pension Board done during 2021/22?

Our meetings include several standing items, including:

- latest Pension Fund Committee papers,
- reviewing the administration of the Fund including performance against Key Performance Indicators (KPIs) and data improvement activity,
- reviewing the Fund's risk register,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

Key governance matters that we discussed during the year included:

- Continual monitoring of the impact of the **Covid 19 pandemic** on the Fund. In particular, we noted that meetings and day-to-day interactions still largely continued to take place

virtually during 2021/22. Pension Board business including some training courses and conferences were increasingly conducted via a “hybrid” format, where some individuals meet in person while those who choose to, are able to attend virtually. The impact of sickness was minimal and short-term in most teams with no or little effect on services.

- Regular updates on **recruitment and retention** within the teams. Unfortunately, this is now an area of concern with some resignations, and difficulties in recruiting to both existing posts and new posts that have been recently created.
- Management of **cybercrime risk** for the Fund on which we continue to look for assurance given the continually changing environment. This is currently a standard item at all meetings and we have received updates on the progress on the delivery of the Fund’s Cyber Security Strategy including supplier assessments and data and asset mapping. At the September meeting, we received a presentation from a cyber specialist on the independent assessment of the Fund’s administration system provider.
- The development of the Fund’s new **business continuity** plan which will be finalised during 2022/23, including the detailed work the officers of the Fund have been carrying out in determining dependencies for their critical processes.
- An **effectiveness survey** which members of the Pension Fund Committee were asked to complete earlier in the year. The results, which were extremely positive, were discussed with the Board. It was encouraging to know that the Committee value the Board’s input in light of our advisory role.
- The progress of **asset pooling** through the Wales Pensions Partnership (WPP). Our focus remains on the governance of WPP and during the year we have closely monitored activity in this area including the development of key policies and the WPP’s Business Plan. There is a potential change in ownership for the Operator, and there is an ongoing investigation by the FCA, both of which we are continuing to monitor. The Chair of the Board continues to attend regular asset pooling meetings with the other Welsh Chairs.
- The Fund’s compliance with **The Pension Regulator’s Code of Practice** for Public Service Pension Schemes. The Fund is fully compliant in most areas of the Code and the small number of areas that require attention are being worked on in 2022/23. We also received a presentation on The Pension Regulator’s New Single Code which is due to come into force later in 2022.
- The Fund’s new **Knowledge and Skills Policy and Conflicts of Interest Policy** which we adopted in September. As a Board we are committed to meeting the requirements of these policies.

Key administration matters that we discussed during the year included:

- The consultation on the remedy following the **McCloud judgement**, which was finalised in May, with legislation expected to be in force on 1 October 2023. The Board received updates on the Fund’s programme of work at each meeting. In addition, all Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. We have been pleased with the progress made on the McCloud remedy programme this year.
- **Pension scams** which are a big concern throughout the pensions industry. We received a presentation on these and the Pensions Administration Manager was reassuring about how the risk of scams is reduced and we were pleased that no scams took place for the Fund. This is an area we are continuing to monitor.
- **Ongoing issues with Prudential** as the Fund’s external AVC provider, which we have been tracking. We are disappointed that the members’ experience of the Fund is being negatively affected by an external provider but are very appreciative of the work done by the Pensions Administration Manager in escalating the issues within Prudential, and are pleased to see the services are now improving.
- The **Data Improvement Plan** on which we remain engaged with Pension Fund Officers on. We were pleased to note that the common and scheme specific data scores had both slightly improved but recognise that there will be a point at which the time taken to improve the data further will exceed the benefits of improving the data. We were very pleased to see that the Fund has invested in tools to allow officers to monitor the data quality more frequently than the previous annual exercise. It is also clear to see that having all employers electronically uploading their pension data monthly has resulted in data being much more up to date and of a good quality.
- **Member cases received, completed and outstanding**, the updates on which painted a positive picture, particularly given the challenges of the pandemic. It was extremely pleasing to see that the total outstanding cases dropped to the lowest level since monitoring began. That being said, we recognised that there were some **key performance indicator** areas where targets were not being met on a consistent basis much of which was due to ongoing recruitment and training. Furthermore, the new process for monitoring of **employer service level standards** was shared with us. We consider this to be extremely useful in ensuring the Fund meets legal deadlines for delivering to scheme members and we will receive regular updates on this going forward, including how the Fund is engaging with employers who are not meeting the agreed timescales.

- How the **Member Self-Service** facility is being utilised. During the year there was a significant increase in members registering for the service due publicity run by the Fund. The Board are very supportive of scheme members being able to access information instantly through this facility.

We continued to monitor other **topical developments** and have taken a close interest in a number of areas during the year including a slight increase in the number of breaches of the law arising from specific employers, the pensions dashboard project, and implementation of responsible investment and climate change strategies.

The Pension Board's budget and final spend for 2021/22 are summarised below:

Item	Budget 2021/22	Actual 2021/22	Variance
	£	£	£
Allowances and Expenses	2,034	1,090	(944)
Training	19,634	40,594	20,960
Advisor Fees	64,915	55,215	(9,700)
Other Costs	4,700	4,360	(340)
Total	91,283	101,259	9,976

What will the Pension Board do in the future (in particular in 2022/23)?

We have a number of items on our forward plan for 2022/23, although the exact agenda and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

- A consultation on the Task Force on Climate-Related Financial Disclosures that is expected to take place in autumn 2022 and how the Fund is implementing this.
- Ensuring that the Fund is compliant with the TPR's Single Code of Practice that that is expected to come into force during the year.
- The governance of the 2022 actuarial valuation including communications with the Fund's employers.
- The management of the Fund's cashflows in light of potential reductions in contributions required from employers arising from the completion of the 2022 Valuation.

- Review of audit reports and implementation of their recommendations.
- Considering the results of a survey of Pension Board members to assess the effectiveness of the Fund's governance arrangements.
- Ensuring the new members of the Pension Fund Committee are offered and undertake appropriate training.
- Ongoing further consideration of several of the areas noted above, including:
 - The McCloud remedy programme
 - Engagement with employers failing to meet service standards
 - The national pensions dashboard
 - Business continuity
 - Cyber security and the resilience of the Fund's systems
 - The governance of asset pooling
 - Continuous monitoring of both the administration team and finance team resources.

A budget for 2022/23 has been agreed as follows:

Item	Budget 2022/23 £
Allowances and Expenses	2,192
Training	33,148
Advisor Fees	72,313
Other Costs	4,700
Total	112,353

Conclusion and final comments

In our view 2021/22 has been a 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.

Phil Pumford, Member Representative

Elaine Williams, Member Representative

Steve Jackson, Employer Representative

Steve Gadd, Employer Representative

Karen McWilliam, Independent Chair

Clwyd Pension Fund Board

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

Appendix 4 - Administration Report

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 has been updated in June 2022. The Strategy outlines how we will 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 and the new Strategy includes a greater focus 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 Clwyd Pension Fund's day to day administration service is provided by the Pension Administration Team which consists of a total of 47 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager.

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 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 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, and the Regulations and Communications Team provides guidance on regulatory matters to all stakeholders and a communication service for Scheme members and employers.

COVID-19 Update

The coronavirus pandemic forced staff members to work from home from March 2020 and to make changes to processes ensuring service delivery was maintained. During 2021/2022 the impact of Covid-19 from a stakeholder experience continued to be minimal. The main changes that were put in place at the beginning of the pandemic have been in relation to incoming/outgoing post where processes were adapted to ensure continuity in this area. Staff members have continued to work from home during the last year remaining contactable with interviews, training sessions and meetings taking place via virtual methods. Productivity levels have remained consistent and, in some areas, improved. Regular meetings have taken place to

give staff members the opportunity to catch up with each other and a continued focus for the management team is ensuring well-being of all staff members.

Summary of Activity

In addition to this day-to-day work during 2021/2022 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 developed a data improvement plan for 2021/22 onwards in readiness for the annual review of common and scheme specific data which is reported to TPR. The results of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table below).

	Common Data %*	Scheme Specific Data %*
2021 / 2022	TBC	TBC
2020 / 2021	97.7	97.3
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7
2017 / 2018	92.7	68.2

*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, Her 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 in order 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.

The new employer reporting functionality that was developed last year has facilitated the identification of 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 also where improvements are required.

i-Connect

In 2021/22 the Fund continued to roll-out, to its employers, the electronic data system i-Connect. i-Connect ensures timely and more accurate data is provided to the Fund and replaces the requirement for employers to submit a year end return. 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 pension's administration system on a monthly basis. We have 52 out of 54 employers submitting data related to active members using i-connect which is 99% of membership (the two employers not using i-Connect are transitioning to a new payroll provider but are committed to on-board when appropriate). The Fund provides training to all new employers to ensure they supply their data through i-Connect, and the use of the functionality is now a requirement as part of the Fund's 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. The website address is www.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. Users are able to download Scheme literature and forms from the website. In the last 12 months, work has been done to ensure that all guides and forms have the same brand and style. The forms have also been made more user friendly by making them editable. This allows members to complete the forms online and return them to us electronically, instead of having to print out the form to complete it and return.

All the Fund's policies and strategies as well as information on the investments of the Fund are also available.

Due to 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 2.1). 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 device. It is anticipated that these regulations will be updated to WCAG 2.2 in September 2022.

To ensure our 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. This weekly report shows our scores in relation to certain areas within website accessibility:

- Digital Certainty Index

- Quality Assurance
- Accessibility
- Search Engine Optimisation

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 2022 scores compared to 31 March 2021 scores.

	31/03/2021	31/03/2022
Digital Certainty Index	92.1%	93.18%
Quality Assurance	98.0%	98.88%
Accessibility	97.3%	95.67%
Search Engine Optimisation	81.0%	84.98%

Member 1-2-1 Sessions

Member 1-2-1 sessions were held virtually again in 2021/2022. These were a mixture of video calls and telephone calls. The sessions ran from October 2021 through to February 2022. The Communications Team met with members covering a mixture of active and deferred members. Below are some statistics on the 1-2-1 sessions:

Number of 1-2-1 dates offered	39
Number of 1-2-1- appointments offered (TOTAL)	269
No of 1-2-1 appointments taken	96
Take up rate (%)	35.69%
Members attending their scheduled appointment	89
Members not attending their scheduled appointment	7

Moving forward, the Clwyd Pension Fund will hold 1-2-1 appointments as and when requested by the member as opposed to designating a proportion of the year specifically for 1-2-1 sessions.

Employer Liaison Team (ELT) Services

The ELT continues to be available to Fund Employers who may require assistance in order to meet their employer obligations for providing information to the Fund, both in relation to day to day notifications and any project work required, for example, as a result of regulatory or system changes.

During the year, the ELT has worked closely with a number of the Fund's employers to successfully collate, validate and then upload data on a monthly basis through i-Connect. This monthly process relates to data for more than 10,000 scheme members.

The ELT has also assisted its employers in several other areas during 2021/2022. This included ongoing data cleansing projects and additional support during a period of staff change with the supply of additional pension information on behalf of an employer.

The current ELT employers have each enlisted the assistance of the team in order to meet their obligations required by the McCloud remedy (considered further in the next section). The ELT has assisted with the design of new payroll system reports for each employer to extract the required data and then collating, formatting and validating the data to meet the Fund's requirements.

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. This 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 judgement in the LGPS. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective. We expect a full response to the consultation in the second half of 2022 and final changes to the scheme rules are expected to come into effect on 1 October 2023.

From an administrative perspective, the impact of the court case is expected to result in a change to how benefits are calculated for a large number of scheme members including some members who have left since 1 April 2014. The change involves providing younger members with protection equal to the underpin protection already given to older members. Despite this protection impacting on a lot of members, most are unlikely to see an increase to their pension. Regardless this is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The Fund has established a McCloud programme to implement the remedy for Clwyd Pension Fund. The main focus during 2021/2022 was collecting historical data from employers relating to part-time hours worked and service breaks for scheme members so benefits can be recalculated when the scheme rules are amended. .

National Pensions Dashboard

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was

undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard. A consultation on regulations closed in March 2022 and these regulations will include more detail on the requirements to participate in the Pension Dashboard for schemes. The consultation response has clarified that public sector pension schemes will be expected to initially onboard by 30 September 2024 with full data having to be provided by 30 April 2025. During 2021/22 the key focus in this area was understanding the requirements and feeding into consultations. The Pensions Administration Manager is participating in a PLSA working group on the development of the Dashboard. The Clwyd Pension Fund has also volunteered to be part of the testing of the pension dashboard enhancements being integrated into the administration software. The main work for onboarding to the Dashboard will commence during the second half of 2022/2023.

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 August 2022.

Cost Management

Public Sector Pension Schemes (including the LGPS) were designed to ensure sustainability for 25 years. The design included a cost management mechanism and at the 2016 valuations the lower threshold within that mechanism (i.e. the cost floor) was deemed to be breached which suggested member benefits would need to increase or their contributions reduce. Following the McCloud judgement, Government announced that any additional McCloud costs would fall to be deemed “member costs” within the cost management mechanism. In June 2022 they confirmed that there will be no changes to member benefits or contributions on account of the 2016 exercise. However the Trades Unions have been granted permission for a Judicial Review of the decision to allocate McCloud costs to members and the results of the Judicial Review could change the outcome of the 2016 cost management process.

In addition the results of the 2020 cost management process are also outstanding albeit the cost management mechanisms have been updated from the 2016 process.

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.

Exit Payment Reform

With effect from 4 November 2020 a £95k cap on exit payments made by public sector employers came into effect, this included the cost of early payment of LGPS pensions. However, in the face of legal challenge, HMT issued a direction to disapply the £95k exit cap with effect from 12 February 2021. Changes are still due to be introduced which may include separate rules for the LGPS. However Welsh Government might implement a different approach to meeting the exit cap requirements which would then impact on some of the employers in the Clwyd Pension Fund.

Increase in minimum retirement age

The Government has also announced that the earliest age a pension can be taken (other than in some cases of ill-health) will be increased from 55 to 57 in April 2028. Protections to retain the minimum pension age of age 55 may be available for those who were scheme members in on or before 3 November 2021, but these would need to be introduced into the LGPS Regulations.

2021/2022 key performance and other information

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:

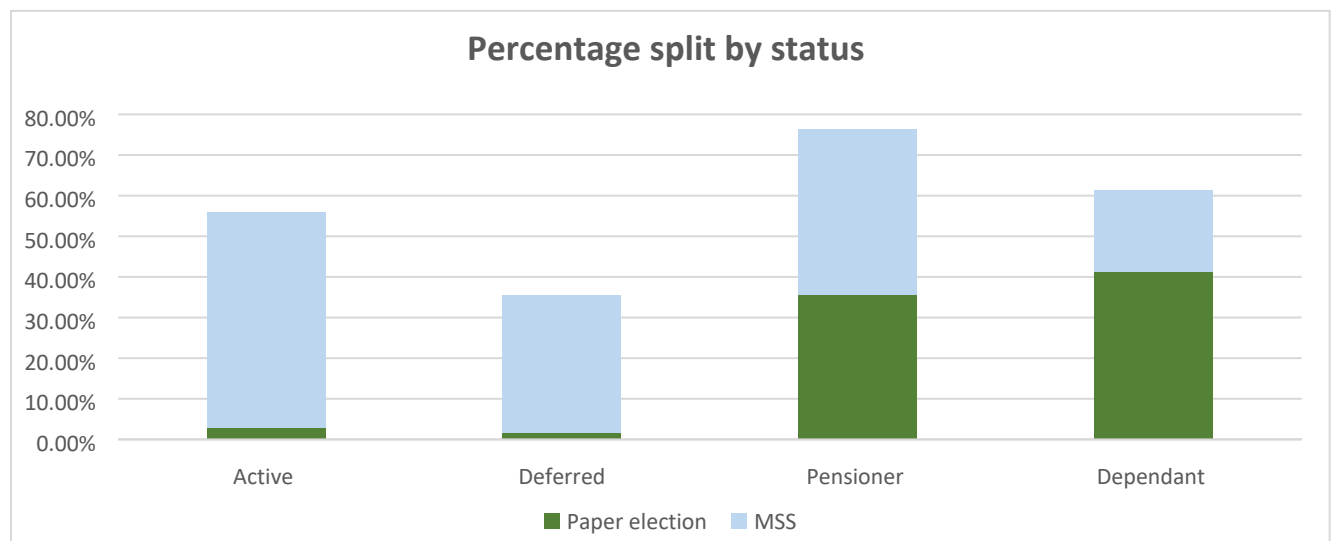
- update their personal details
- run estimates for retirement using their chosen retirement dates
- amend their death grant beneficiaries
- request retirement packs for deferred members who want to start receiving their pension
- view all member specific documents (e.g. annual benefit statements) and
- 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 at 31st March 2022, 48.40% of Clwyd Pension Fund’s membership had registered for MSS. To compare, as at 31st March 2021, 36.13% of Clwyd Pension Fund’s membership had registered. This means that the registration uptake has increased by 12.27% during this period.

The Clwyd Pension Fund has recently started to record statistics for those members who have elected to receive paper correspondence. Early indications show that approximately 15% of our membership has currently opted for paper communications, rather than using MSS.

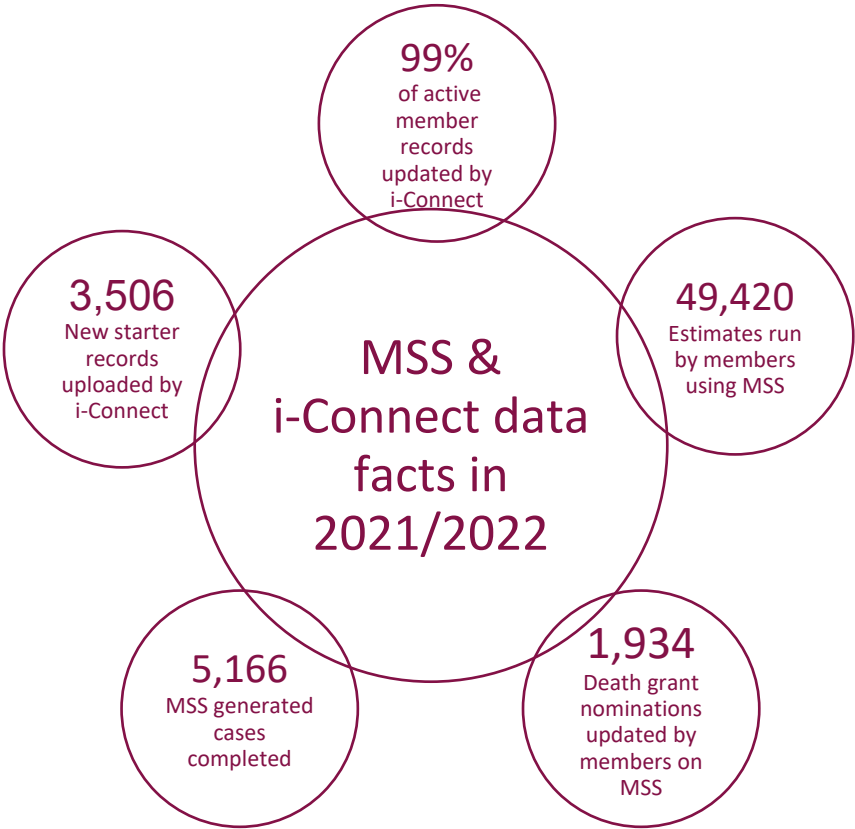
The ratio of paper versus MSS communication preference can be broken down into the different membership status types as seen in the graph below:



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.

On-going 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 2021/2022.

Full time equivalent staff in the Pension Administration Team 33.1	Total Fund members 49,495 54	Ratio of staff to members of Fund 1:1,495	Average cases completed per member of staff 1,001
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Summary of Employers as at 31st March 2022

Employers	Active	Ceased	Total
Scheduled bodies	35	20	55
Admitted bodies	19	19	38
Total	54*	39	93

*excluding Councillors

2021/2022 New Pensioners

Retirement Type	Number of Retirements
Ill Health	44
Early	406
Normal Retirement Age (NRA)	75
Late	143
Redundancy/Efficiency	25
Flexible	17
Trivial Commutation	79
Total	789

Member Trends:

Year	Contributors	Deferred (Including Undecided & Frozen refunds)	Pensioners	Dependent Pensioners	No. of Redundancy & Efficiency Enhanced Benefits	No. of Ill Health Enhanced Benefits - tier 1 only
2018/19	16,528	18,573	11,249	1,732	64	15
2019/20	17,211	17,745	12,751	1,988	54	18
2020/21	17,542	17,275	12,996	2,041	43	21

2021/22	17,073	17,888	12,613	1,921	25	34
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Analysis of Pension Overpayments and Write Offs

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 below. 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.

Overpayments relating to the GMP reconciliation exercise are not included in these figures.

	2021/22		2020/21		2019/20		2018/19		2017/18	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
Amounts under £100	£6,516	166	£6,348	151	£4,435	129	£6,270	154	£6,164	150
Overpayments Recovered	£38,056	92	£26,716	92	£29,277	76	£39,685	90	£51,265	102
Overpayments Written Off	£0	0	£498	2	£0	0	£2,742	4	£990	3

Key Performance Indicators (KPI)

The Fund measures a number of 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 in order 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.

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
To send a Notification of Joining the LGPS to a scheme member	4,072	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	84%	30 working days from receipt of all information	99%
To inform members who leave the scheme of their leaver rights and options	2,030	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	99%	15 working days from receipt of all information	98%
Obtain transfer details for transfer in, and calculate and provide quotation to member	309	2 months from the date of request	78%	20 working days from receipt of all information	69%
Provide details of transfer value for transfer out, on request	456	3 months from date of request (CETV estimate)	98%	20 working days from receipt of all information	81%
Notification of amount of retirement benefits	1,534	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	86%	10 working days from	90%

				receipt of all information	
Providing quotations on request for retirements	883	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	99%	15 working days from receipt of all information	89%
Calculate and notify dependant(s) of amount of death benefits	207	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)	87%	10 working days from receipt of all information	81%
*Calculate and Notify member of CEIV for Divorce/Dissolution Quote	103	3 months from the date of request	99%	20 working days from receipt of all information	95%
*Calculate and Notify members of Actual Divorce Share	5	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	60%	15 working days from receipt of all information	60%
*Calculate and pay a Refund of contributions	350	N/A		10 working days from receipt of all information	61%

*Calculate and Pay retirement lump sum	1,062	N/A		15 working days from receipt of all information	96%
*Calculate and Notify member of Deferred Benefits	1,821	N/A		30 working days from receipt of all information	35%
*Initial letter acknowledging death of member	442	N/A		3 working days from receipt of all information	78%

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Other performance information

The total number of cases completed annually continues to increase. Despite that, there has still been a positive effect on the performance levels achieved across all areas. Additional resource and developments in technology have contributed towards this success and will continue to be monitored to ensure service standards do not decrease. 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 2021/2022

Case Type	Cases
New Starters	3,506
Address changes (including via MSS)	3,535
Defers	1,830
Refunds	709
Retirements (all types)	1,437
Estimates (all types)	883
Deaths (deferred, active and pensioners)	530
Transfers In	300
Transfers Out	404
Divorce Quote	106
Divorce Share	5
Aggregation	2,111

2020/21
Total cases completed
29,854

2021/22
Total cases completed
31,152

Case Movement

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start total	5,127	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985
Completed	2,306	2,457	2,578	2,165	2,218	2,539	2,974	3,647	2,566	3,057	3,344	5,024
Received	2,295	2,411	2,493	2,280	2,418	3,253	3,539	2,937	2,291	2,760	3,512	4,961
Deleted	42	23	17	58	88	80	76	23	53	3	18	13
Remaining	5,074	5,005	4,905	4,962	5,074	5,708	6,197	5,463	5,135	4,835	4,985	4,909

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 97.7% and 97.3% respectively and these have significantly improved in recent years 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. We achieved an increase of 12.27% from March 2021 to March 2022.
- We strive to use digital communications as a default in all situations unless there are valid reasons not to do 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.
- We aim for the cost per member to not be in upper or lower quartiles when benchmarked against all LGPS Funds using national data. The latest measure confirms our cost per member (CIPFA measure) to be £36.35 and this represents a position within the middle quartiles of the Funds included in the comparison.

Furthermore, in 2021/22 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. IDRP 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 new MoneyHelper service and then onto the Pensions Ombudsman. The table below summarises the IDRPs requests the Fund received in 2021/2022 and their outcomes:

2021/2022	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	7	0	3	4
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0

Appeal Contact details:	Mrs Karen Williams Pensions Administration Manager, Clwyd Pension Fund, County Hall, Mold, CH7 6NA
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More information about the appeal process can be found in our Internal Dispute Resolution Procedure Pack at: <https://mss.clwydpensionfund.org.uk/home/lgps-scheme/forms-and-resources/index.html>

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, CH7 6NA.

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Appendix 5 - 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 2021/22. This was a particularly difficult period given the impact of rising inflation, rising interest rates and the likely global recession in major economic markets. We have now entered a stagflationary environment (lower growth, higher inflation), which will be a challenge for the Fund, given the liabilities are directly linked to UK Consumer Prices Inflation (CPI). This means the assets need to work harder to keep pace with the increasing liabilities.

Despite the challenging economic environment, the Fund has been resilient both financially and operationally over this period, which is testament to the strong governance and oversight in place. It is pleasing to see that the estimated funding position, whilst volatile, is still above 100% at the end of March 2022 based on an approximate roll forward of the 2021 interim valuation update. This will be formally reviewed as part of the 2022 actuarial valuation, which will be a key project for the Fund and employers over the coming year. The results and employer contributions will be formally signed off in March 2023, with the new contributions coming into effect from 1 April 2023.

The Risk Management Framework has been integral to achieving the surplus funding position and will help provide much needed overall contribution stability. The challenge now is to consider how we can maximise the chance of remaining fully funded or better through a combination of the investment strategy and employer contributions to provide ongoing stability, particularly in light of the high inflation that has continued after 31 March 2022. This is a delicate balance as providing more certainty through reduced risk may result in lower returns being achieved, which in turn would impact on the funding position, and increase contribution requirements.

Going forward there is little doubt that we are going to see further increases in interest rates in the UK and globally to try to mitigate the spiralling inflationary environment. Whether the monetary policy can influence materially on this given the structural supply and labour issues we are seeing in the UK remains to be seen. Whatever approach is taken, there is no doubt that the Fund is facing a number of challenges, but I do know that having the Risk Management Framework and the exceptional wider financial governance framework in place will help the Fund navigate this as effectively as possible.

Risk Management Framework

Flightpath Strategy

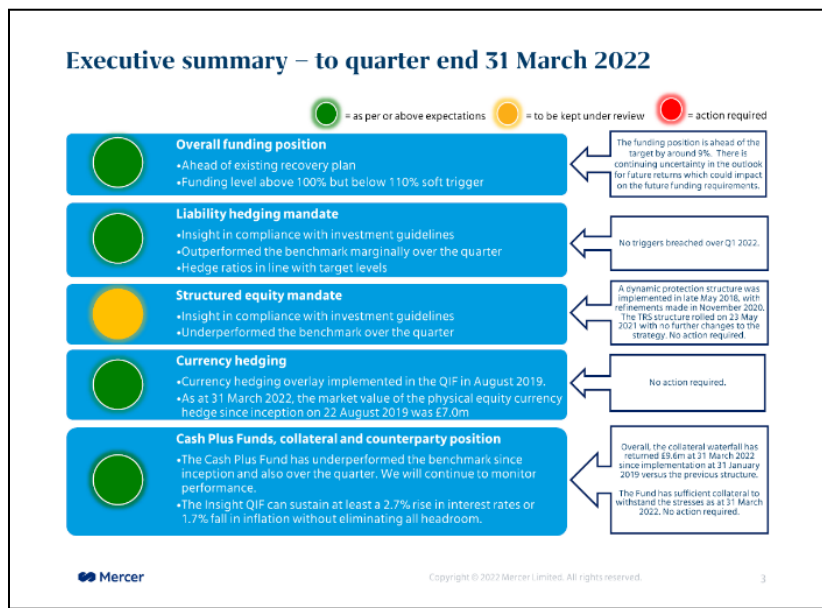
A critical aspect of managing risk relates to the Flightpath Strategy, which is central to providing stability of funding and employer contribution rates in the long term. This strategy has been in operation for 8 years now and there have been big strides forward in achieving the objective of reaching full funding by 2026.

Over the year, the level of liability risk hedging (the “hedge ratio”) within the framework increased marginally (to just over 25% for interest rates and 40% for inflation expectations. We have seen several increases in interest rates and bank base rates are currently at 1.75% (as announced on 5 August 2022) with more increases likely. The level of inflation hedging has provided some protection against the rising inflationary environment.

The funding plan was well ahead of the target set as part of the 2019 valuation as at 31 March 2022 despite the ongoing uncertainty in investment markets. Overall, the funding position was estimated to be 101% as at 31 March 2022 based on a roll forward from the 2021 interim valuation review, which was 8% ahead of target meaning that the full funding objective was met despite the increased inflation and falls in markets. However, we have seen some deterioration since 31 March 2022 due to the continued ongoing inflationary pressures (increasing the liabilities) and the falls in asset values. The position remains volatile and we expect this to continue for a while yet.

We monitor the funding position on a monthly basis and the impact of the funding deterioration will be considered as part of the 2022 valuation and the employer contribution requirements, noting that the inflationary pressures are also affecting employer budgets through wage inflation and operational costs from energy and other goods.

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Flightpath run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore, we monitor on a monthly basis using a red/amber/green (“RAG”) rating system and the summary at March 2022 is shown. It can be seen that all aspects were in line with expectations apart from:



- The synthetic equity mandate has seen some underperformance relative to an unhedged equity position since inception. This is driven by the sharp rally in equity markets post March 2020 following the Covid-19 market recovery, which caused the value of the equity downside protection to be less valuable. Overall, however, the rally in markets has meant that the synthetic equity mandate has been a key contributor to the improved overall funding position. This equity downside protection is still critical to the overall strategy of protecting against large falls in markets, such as those we experienced last year due to the economic impact of the pandemic.

It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term, the increased security allows less prudence in the Actuarial Valuation assumptions, which could translate into lower contributions at the 2022 valuation,

and maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.

- The Fund will consider the current high inflationary environment in relation to setting the inflation assumption for the formal actuarial valuation as at 31 March 2022. This includes considering the effectiveness of the Bank of England's monetary policy of increasing interest rates.

Changes to the Risk Management Framework

Following the strong performance of the framework and analysis of the collateral adequacy position, the Funding and Risk Management Group (FRMG) agreed to release £100m of collateral from the risk management framework. It was decided that this would be invested into private market assets over the next few years. Given it takes time to fund these investments, £50m of the earmarked value was invested within the collateral management strategy within the framework in order to generate additional return in the interim. The FRMG also put in place a robust cash management plan should the Fund need to source liquidity at short notice, improving the governance around cashflow management.

The Flightpath framework will continue to be monitored as part of the regular FRMG meetings.

What will we need to consider during 2022/23?

As well as the challenge of the global economic environment, there are a number of other areas that the Fund will need to navigate and react to.

- **2022 actuarial valuation** – The effective date for the 31 March 2022 valuations has now passed. Work is now well underway as the Fund and the Actuary begin to consider the assumptions (financial and demographic) to adopt and the outlook for markets. The results will be communicated to employers during Q4 2022 and summarised within the 2022/23 update from the Actuary.
- **Impact of rising inflation and interest rates** – As you will be well aware, the rate of inflation has recently reached its highest level in over 40 years, with the annual increase in CPI to June 2022 hitting 9%. It is quite conceivable that the April 2023 pension increase (which is based on the September 2022 annual CPI value) could be double digit, which is the highest pension increase since the 1970's. This has been driven by various factors initially, but also exacerbated by the impact of the crisis in Ukraine on energy, petrol and food prices with other factors such as low unemployment adding to concerns of sustained high inflation.

The Bank of England has already taken some steps to control UK inflation and at the August monetary policy committee increased the base interest rate to 1.75% p.a., aiming to encourage saving instead of spending, and hence more price competition. It predicts that this will bring CPI inflation to below its 2% target within a few years, although this seems somewhat optimistic given the global influences on UK inflation, which are not within the Bank of England's gift to control. As a result, there is considerable uncertainty in how prolonged the situation may last and this uncertainty was highlighted by the Bank of England in its latest forecast.

- **Climate change** – at the time of writing we are seeing a year of record-breaking temperatures in the UK and rightly climate change continues to be one of the issues at the top of the agenda. The Fund rightly has climate change at the centre of its policies and is already taken steps aiming to manage climate change risk within the investment strategy through its net zero policy and impact investing. We will be considering this in more detail from a funding perspective for the 2022 valuation. This will comprise using scenario analysis to test the potential evolution of the Fund’s funding position over time under different climate change transition scenarios, which will help inform our understanding of the resilience of the funding strategy and how the current investment strategy plus planned future changes impact on this.
- **Maintaining full funding** – In light of the funding level moving over 100%, the challenge is how do we maintain or even improve this position through contributions and investment returns. This cannot be guaranteed and will be a delicate balance between a number of often competing factors. The 2022 actuarial valuation will also impact on the funding level as updated membership data and assumptions (including demographic factors) are incorporated.
- **McCloud remedy** – On 10 March 2022, the Public Sector Pensions and Judicial Offices Bill received Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer of 2022.

From a funding perspective, a letter from the Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC’s recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation. For the Fund, the recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes and hence no significant changes in approach/outcome are expected as part of the 2022 valuation exercise other than for those employers who decided not to make a provision in their current contributions rates.

I have covered a wide range of challenges and opportunities for the Fund and I remain confident that we are in the best place possible to navigate these over the next few years and beyond given the strong financial governance in place.

Paul Middleman FIA

Fund Actuary and Pensions Advisory Panel member

Appendix 6 - Investment Policy and Performance Report

I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (the Fund) during 2021/22. As the Fund's Investment Consultant, I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the Fund Advisory Panel and the Funding and Risk Management Group (FRMG).

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 the 13-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership (WPP) 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.

This report demonstrates progress made towards these long-term objectives during the year, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Market Commentary

The world entered the second quarter of 2021 with heavy COVID-19 related restrictions in place. The successful roll-out of vaccinations in developed countries created optimism over imminent reopening's that would be more sustainable this time than a year before. The reopening rebound in July and August 2021 in developed countries did indeed materialize and drove risk-on sentiment initially. However, some emerging economies re-imposed restrictions, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks in a large number of areas.

One major event was a run on UK petrol stations at the end of September after rumours of fuel shortages became a self-fulfilling prophecy. Rising energy future prices in the UK and Europe led to a further deterioration in sentiment. In the emerging world, China's attempt to deflate its property market by tightening credit increased financial distress and led to the bankruptcy of some large property developers, most notably Evergrande. This came in addition to its disruptive regulatory campaign that created enormous uncertainty for Chinese companies and led to a sharp deterioration in business sentiment.

The fourth quarter did not bring much better news for investors. Persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets that had already started reacting earlier in the year continued. The Federal Reserve began to taper asset purchases, setting the stage for interest rate rises as early as in 2022. The Bank of England increased rates by 15bps to 0.25% in December. Only the European Central Bank and Bank of Japan remained on the fence.

There was a further COVID-19 variant scare from late November onwards but with a more limited impact this time. International travel restrictions were somewhat tightened and only few countries in Europe re-imposed meaningful domestic restrictions. The US and UK opted instead for a more pragmatic approach of keeping their economies open and focusing on making booster vaccinations more widely available. Some optimism returned late in the year as existing vaccines proved to still be sufficiently effective against severe symptoms whilst the new variant also appeared to be less severe than feared, although more contagious.

At first, 2022 started on a positive note. The continued absence of far-reaching COVID restrictions in developed countries supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control. The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative. Central banks were forced to accelerate this pace of tightening even as growth expectations were dialled down. The recovery in supply chains was nipped in the bud both due to the conflict, sanctions on Russia and China locking down large manufacturing hubs.

Overall, the 12-month period was shaped by a strong global economic recovery supported by economies reopening, higher increased household savings and loose monetary policy. This position fell under pressure in 2022 amid rising inflation, tightening monetary policy, the conflict in Ukraine and renewed lockdowns in China, just when there was hope that supply chains would improve and COVID-19 would cease to cause major economic disruptions.

At a global level, developed markets as measured by the FTSE World index, returned 14.9%. Meanwhile, a return of -3.3% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets, excluding the UK, returned 6.5% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 13.0%. The FTSE

USA index returned 19.3% while the FTSE Japan index returned -2.3%. UK equities caught up considerably with global equities in the first quarter of 2022 due to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2022.

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.1%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -7.2% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 1.2% to 1.7% while the Over 15 Year index yield rose from 0.7% to 1.1%.

The FTSE All Stocks Index-Linked Gilts index returned 5.1% with the corresponding over 15-year index exhibiting a return of 3.9%. Rising inflation expectations offset rising nominal yields to an extent, cushioning the fall of real yields somewhat which explains the outperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -5.1%.

Over 12-month period to 31 March 2022, the MSCI UK All Property Index returned 23.9% in Sterling terms. All three main sectors of the UK Property market recorded positive returns over the period (retail: 20.8%; office: 6.7%; and; industrial 42.3%).

The price of Brent Crude Oil rose 69.2% from \$63.52 to \$107.46 per barrel over the one-year period. Commodities rallied significantly in the first quarter of 2022, as Russia invaded Ukraine. As Russia was sanctioned by large parts of the world, energy markets spiked due to the uncertainty of supply given Russia being such a large supplier of oil and gas to Europe.

The S&P GSCI Commodity Spot Index returned 62.4% over the one-year period to 31 March 2022 in Sterling terms.

Over the 12-month period to 31 March 2022, Sterling appreciated by 0.8% against the Euro from €1.17 to €1.18 and appreciated 4.8% against the Yen, from ¥152.46 to ¥159.81. Sterling depreciated against the US Dollar by -4.6%, from \$1.38 to \$1.32.

Clwyd Pension Fund Investment Performance 2021/22

The Fund posted strong investment returns for the year returning 13.3% for the twelve months, well ahead of the Actuary's future service return assumption of CPI +2.25%, as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

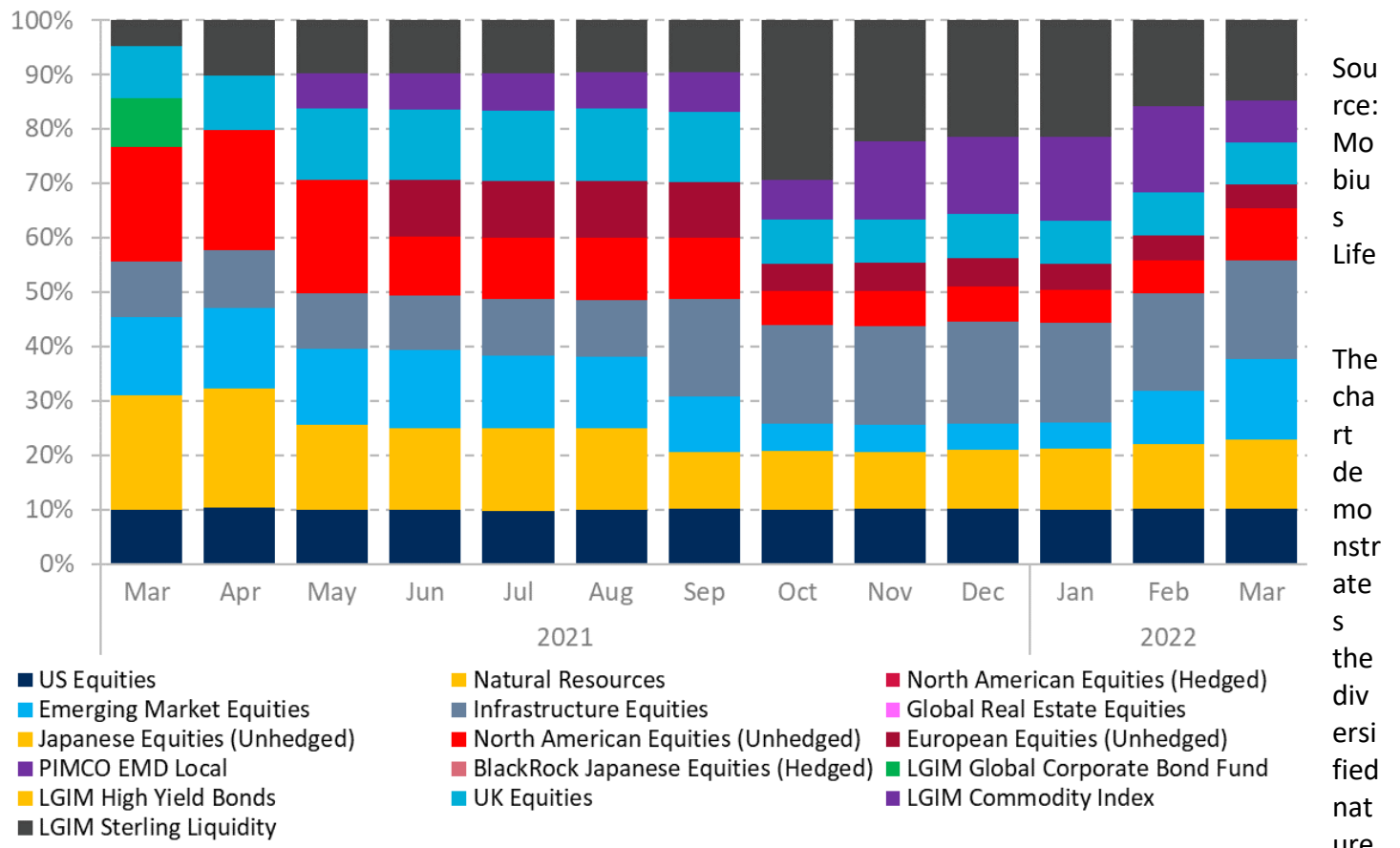
The Fund returned 13.3% compared with a composite benchmark (of the underlying manager benchmarks) of 9.1%. Whilst the returns for the year were well ahead of the required rate, given the impact COVID-19 had on the preceding year's returns, it remains appropriate to see this in context of the longer-term performance. Over three years to the 31 March 2022 the Fund achieved a return of +9.9% per annum, compared with a benchmark of +8.9% per annum. This performance is also well ahead of the future service target of CPI +2.25%.

The Equity portfolio that includes Global and Emerging Market Equity exposures returned +2.3% due to the falls in equity markets over the year to 31 March 2022. The BlackRock World ESG portfolio returned +16.8%, outperforming its target of +16.5%, whilst the Russel WPP Global Opportunities portfolio returned +11.0%, underperforming its target of +14.6% over the 12 months.

The Multi-Asset Credit (MAC) portfolio produced a negative return of -2.1% against a target of 4.1%. The portfolio mainly detracted due to security selection within the US and the impact that the Russian invasion of Ukraine had on credit markets in late February and March of 2022.

The Best Ideas Portfolio produced a return of +20.3% over the one year period to 31 March 2022, well in excess of its long term target of CPI +3.0% p.a.

Throughout the year under review, a number of positions have been taken within the underlying composition of the Best Ideas portfolio as demonstrated in the chart below. There is a monthly meeting of the Tactical Asset Allocation Group where Mercer monitor and review the portfolio and make recommendations to the Fund Officers. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



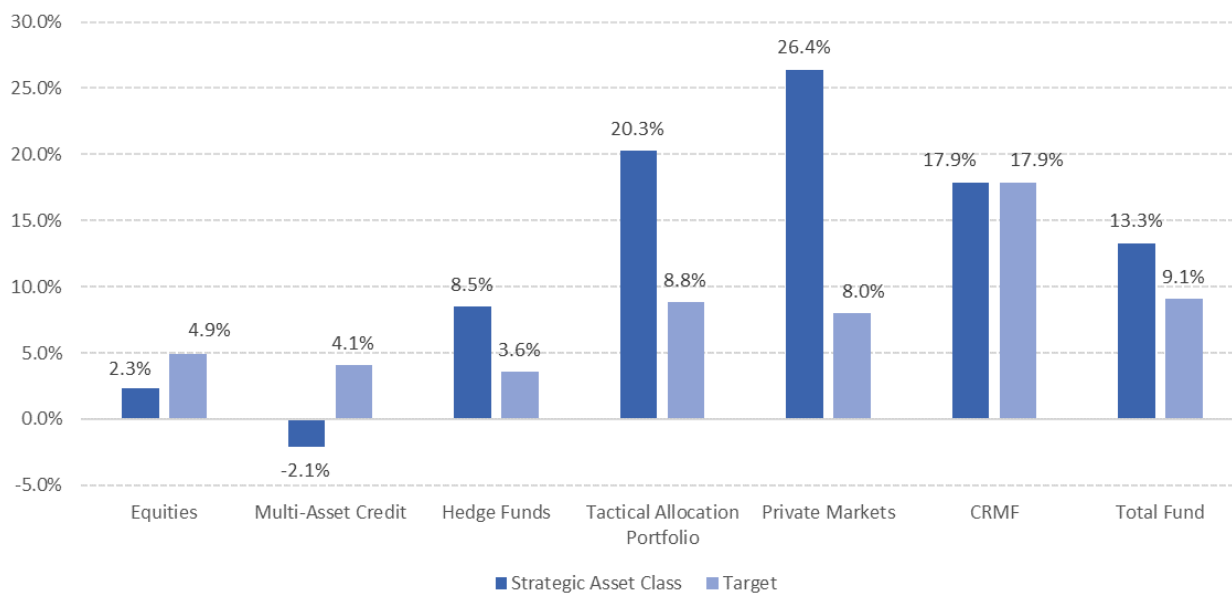
of the holdings within the Best Ideas portfolio, which has included Developed Equities, Emerging Market Equities, Commodities and Corporate Bonds as well as liquid alternatives in the form of listed Infrastructure. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group over the year. One key holding during the year has been the Sterling Liquidity (cash) fund. This has been particularly helpful at the start of 2022 as market volatility and falling valuations hit all investors.

The Managed Account Platform with MAN contains a Hedge Funds portfolio, which produced a strong absolute return of +8.5% during the year. The portfolio was restructured as part of the strategic review and the new structure was in place with effect from April 2020.

In the 12 months under review the Private Markets assets lead performance achieving a positive return of +26.4%. Within the Private Markets portfolio Local/Impact and Private Equity posted the strongest returns, returning +40.3% and +36.0%, respectively.

The Cash and Risk Management Framework investment portfolio (a key component of the Risk Management Framework) which consists of regional synthetic Global Equities, Gilt and inflation exposures (as well as equity protection and currency hedging strategies) returned +17.9% in 2021/22. However, the performance of this portfolio over the short term is less relevant due to its risk management characteristics. The risk management elements of the portfolio performed as expected and managed the fund’s risks effectively over the period.

The chart below summarises the 12-month performance against the target for each of the Fund’s asset classes and managers together with the total Fund. It should be noted we have only included those funds/asset classes that have a full 12-month return.



Source: Investment Managers, Mercer

Summary of Investment Performance 2021/22

Market conditions over the year to 31 March 2022 year were beneficial for investors, and the Fund benefited from these investment markets. COVID-19 restrictions were lifted across the globe which improved investor sentiment. The first quarter of 2022 has seen markets fall off largely due the tightening of monetary policies across UK, US and Europe as well as the impact on supply chains resulting from the Russian invasion of Ukraine, which has ultimately reduced the yearly returns to March 2022.

As a result the performance of the Fund for the twelve months under review was +13.3%.

The Fund's allocations to private markets (+26.4%) and the Tactical Asset Allocation (+20.3%) helped propel the Fund over the period. The Fund's cash and risk management allocation also posted strong returns over the year in review, returning +17.9%. Equities returned a positive return (+2.3%) over the period, whilst Multi-Asset Credit dragged on performance (-2.1%).

Investment Strategy

The Fund's Investment Strategy is shown in the table below:

Strategic Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range (%)
Developed Global Equity	10.0	5.0 – 15.0	0 – 30
Emerging Market Equity	10.0	5.0 – 15.0	0 – 30
Hedge Funds	7.0	5.0 – 9.0	0 – 15
TAA/Best Ideas	11.0	9.0 – 13.0	0 – 20
Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20
Cash and Risk Management Framework	23.0	10.0 – 35.0	0 – 40
Private Markets			
Property	4.0	2.0 – 6.0	0 – 8
Private Equity	8.0	6.0 – 10.0	0 – 15
Local/Impact	4.0	0.0 – 6.0	0 – 8
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

The Fund's Investment Strategy continues to be more diversified than most Local Government Pension Scheme (LGPS) Funds and incorporates a Risk Management Framework, which differentiates the Fund from many other LGPS Funds. The aim of the Fund's strategy remains to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years.

The Cash and Risk Management Framework is a key feature of the Fund's Investment Strategy and looks to manage a number of the key risks. As described above the strategic target weight has been increased as part of the recent review, demonstrating that it remains strategically important. This portfolio is explained in more detail in the Risk Management section of the Actuary's report.

The Best Ideas Portfolio is a short-term (12-month horizon) tactical allocation based upon Mercer's suggested "best ideas". Aside from the decisions being made on a tactical (short-term) basis, the basic premise of the decisions within this portfolio is that any asset allocation implementation should be liquid (to enable speed of action should it be required) and cost efficient. Given the material size of this allocation (11% of total Fund assets), further detail is provided in the Performance section of this report. The following table shows the strategic allocation compared to the actual asset allocations as at 31 March 2021 and 31 March 2022.

As we start the 2022/23 period, there continues to be a significant amount of volatility across financial markets. In conjunction with the 31 March 2022 Actuarial Valuation, the Fund will be undertaking an Investment Strategy Review and potentially making changes to the strategic asset allocation based on a range of factors including but not limited to: market volatility, the challenging outlook for growth and inflation.

Strategic Allocation vs Actual Allocations (Note: Totals may not sum due to rounding)

Manager	Mandate	Actual 31/03/21	Actual 31/03/22	Strategic Allocation 21/22
Developed Global Equity				10.0%
WPP	Global Equity	5.4%	5.3%	5.0%
BlackRock	Global Equity	5.2%	5.4%	5.0%
Emerging Market Equity				
Wellington	EM (Core)	3.6%	0.0%	0.0%
Wellington	EM (Local)	3.3%	0.0%	0.0%
BlackRock	Emerging Equity	3.8%	0.0%	0.0%
WPP	Emerging Equity	0.0%	9.0%	10.0%
Hedge Funds				
ManFRM	Hedge Funds	6.7%	6.4%	7.0%
TAA / Best Ideas				11.0%
In-house	Best Ideas Portfolio	10.6%	11.1%	11.0%
Multi-Asset Credit				
WPP	Multi-Asset Credit	11.5%	10.0%	12.0%
Cash and Risk Management Framework				23.0%
Insight	CRMF	24.4%	25.5%	23.0%
Private Markets				
Various	Property	6.0%	6.0%	4.0%
Various	Private Equity	7.7%	7.9%	8.0%
Various	Local/Impact	2.3%	2.7%	4.0%
Various	Infrastructure	4.7%	4.8%	8.0%
Various	Private Credit	2.3%	2.1%	3.0%
Various	Timber/Agriculture	0.8%	0.5%	0.0%
Cash		1.7%	3.2%	0.0%

During the 2021/2022 period, the Fund switched out of Wellington Emerging Market Core and Local Funds and BlackRock Emerging Market Equity Fund and transferred all Emerging Market allocation into the WPP Emerging Market Fund. This was in line with the Fund's objective to use the WPP for investing the Fund's assets.

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. It also sets five key Strategic Responsible Investment Priorities for the work in this area over the next three years.

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. In particular, the Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. The Committee agreed an ambitious 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.

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 2021/22 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock - ESG	274	3,937	3,641	266	29	1
Russell - Global Ops	61	704	634	64	5	1
Russell - Emerging Market	19	187	139	35	1	12

Source: Investment Managers

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.

Summary of the Longer Term

The market value of the Fund has increased from approximately £1,082.7m in March 2012 to £2,457.1m in March 2022.

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

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa
1	+13.3	+9.1	+8.6
3	+9.9	+8.9	+8.3
5	+7.8	+7.4	+7.1
10	+8.4	+8.1	+8.9

Source: Mercer, PIRC

Performance to 31 March 2022

	Investment Manager	Q1 2022 (%)	B'mar k (%)	1 Yr (%)	B'mar k (%)	3 Yrs (%)	B'mar k (%)	5 Yrs (%)	B'mar k (%)	10 Yrs (%)	B'mar k (%)
Total		-0.9	-1.0	13.3	9.1	9.9	8.9	7.8	7.4	8.4	8.1
Total Equity		-3.1	-2.9	2.3	4.9	9.1	11.0	8.0	9.4	10.0	11.6
WPP Global Opportunities	Russell	-1.4	-2.2	11.0	14.6	14.5	15.6	--	--	--	--
World ESG Equity	BlackRock	-1.8	-1.9	16.8	16.5	--	--	--	--	--	--
Emerging Markets Equity	Russell	-4.9	-3.9	--	--	--	--	--	--	--	--
Total Credit		-3.8	1.1	-2.1	4.1	1.9	2.9	1.8	2.5	2.1	1.9
WPP Multi- Asset Credit	Russell	-3.8	1.1	-2.1	4.1	--	--	--	--	--	--
Total Hedge Funds		0.4	1.0	8.5	3.6	4.4	3.9	--	--	--	--
Hedge Funds	Man	0.4	1.0	8.5	3.6	4.4	3.9	2.4	4.0	--	--
Hedge Funds (Legacy)	Man	-5.8	1.0	-4.1	3.6	-9.6	3.9	-35.2	4.0	--	--
Total Tactical Allocation		8.1	2.5	20.3	8.8	11.5	5.8	7.8	5.6	3.9	5.0
Best Ideas	Various	8.1	2.5	20.3	8.8	12.0	5.8	8.8	5.6	2.4	0.1
Total Private Markets		4.3	2.0	26.4	8.0	11.0	5.8	10.7	5.9	--	--
Property	Various	5.0	5.6	16.9	23.9	7.0	8.4	7.5	8.4	8.2	9.2
Private Equity	Various	4.9	1.3	36.0	5.1	17.3	5.4	15.7	5.5	13.0	5.6
Local / Impact	Various	2.3	1.3	40.3	5.1	--	--	--	--	--	--
Infrastructure	Various	4.7	1.3	22.3	5.1	6.2	5.4	7.1	5.5	12.2	5.6
Private Credit	Various	1.6	1.8	18.1	7.5	4.4	7.5	--	--	--	--
Timber/ Agriculture	Various	2.6	1.3	6.1	5.1	0.9	5.4	0.6	5.5	2.2	5.6
Total CRMF		-6.3	-6.3	17.9	17.9	16.0	16.0	11.4	11.4	--	--
Cash and Risk Management Framework (CRMF)	Insight	-6.3	-6.3	17.9	17.9	16.0	16.0	11.4	11.4	--	--

Source: Investment Managers, Mercer.

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.

The following table 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. The current weightings were reviewed in 2019, the new strategy was in effect from April 2020.

Core Manager Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	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	
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	
Frontier Markets Active	-	-	-	-	2.5	-	-	
Developed Passive	-	-	-	19.0	-	-	-	
	72.0	66.0	55.0	43.0	17.0	14.0	20.0	54.0
Fixed Interest								
Traditional Bonds	10.0	9.5	-	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	
	14.0	12.0	13.0	15.0	15.0	15.0	15.0	18.0
Liability Driven Investment	-	-	-	-	19.0	19.0	23.0	-

Alternative Investments and Cash								
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	8.0	
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	
Local/ Impact	-	-	-	-	-	-	4.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	
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 (Best Ideas)	-	-	-	-	9.0	11.0	11.0	
	14.0	22.0	32.0	42.0	49.0	52.0	42.0	28.0

In House Portfolio

Asset Class	Number of Funds
Property Closed Ended Holdings	5
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
Property Open Ended Holdings	21
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
BlackRock US Residential	1
Darwin Leisure Property	2
Franklin Templeton	2
InfraRed Active Property	3
Newcore	1
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
Timber	5
BGT Pactual Timberland	2
Stafford Timberland	3
Agriculture	2
Insight Global Farmland	1
GMO	1
Infrastructure	18
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Carlyle Global Infrastructure	1
GSAM West Street Infrastructure	1
HarbourVest Real Assets	1
Hermes Infrastructure	1
InfraRed	3
Infravia	1
Innisfree	1
JP Morgan Infrastructure	1
Marine Capital	1
North Haven Global Infrastructure	3
Pantheon	1
Partners Group Direct Infrastructure	1
Total Funds	51

Private Equity Direct Funds	27
Access Capital	1
Apax	5
August Equity	3
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Dyal Capital Partners	1
ECI	3
FSN	1
GB Deutschland	1
Livingbridge	1
Marquee	1
North Haven	1
Partners Direct	2
Unigestion	1
Private Equity Fund of Funds	31
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary's	1
Partners Group	10
Standard Life	2
Unigestion	2
Local / Impact	21
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Ludgate Environmental	1
Fairfax	1
Foresight	2
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1
Total Funds	79

Private Debt	7
BlackRock	1
Carlyle	3
Neuberger Berman	1
Permira	1
Pinebridge	1
Total Funds	7

Kieran Harkin

Head of LGPS Investments

Appendix 7 - Clwyd Pension Fund Accounts For The Year Ended 31st March 2022

FUND ACCOUNT

2020/21 £000		Note	2021/22 £000
	Dealings with members, employers and others directly involved in the Fund		
(81,805)	Contributions	7	(85,253)
(3,415)	Transfers in	8	(6,956)
(85,220)			(92,209)
	Benefits payable :		
65,188	Pensions	9	66,875
9,454	Lump sums (retirement)		14,572
2,654	Lump sums (death grants)		2,251
77,296			83,698
5,924	Payments to and on account of leavers	10	4,456
83,220			88,154
(2,000)	Net (additions)/withdrawals from dealings with members		(4,055)
21,924	Management expenses	11	25,766
19,924	Net (additions)/withdrawals including fund management expenses		21,711
	Returns on Investments		
(17,804)	Investment income	12	(23,589)
(450,889)	Change in market value of investments	13A	(261,406)
(468,693)	Net return on investments		(284,995)
(448,769)	Net (increase)/decrease in the net assets available for benefits during the year		(263,284)
(1,777,439)	Opening net assets of the scheme		(2,226,208)
(2,226,208)	Closing net assets of the scheme		(2,489,492)

NET ASSETS STATEMENT

2020/21		2021/22
£000s		£000s
	Note	
2,222,792	13	2,484,467
		2,484,467
2,222,792		2,484,467
254	19	294
5,059	19	6,962
(1,897)	20	(2,231)
2,226,208		2,489,492

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 31st March 2022

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 during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. The accounts have been prepared in accordance with the 2020/21 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:

2020/21		2021/22
No.		No.
52	Number of employers with active members	52
	Number of employees in scheme	
5,524	Flintshire County Council	5,552
12,018	Other employers	11,521
17,542	Total	17,073
	Number of pensioners	
4,011	Flintshire County Council	4,234
9,939	Other employers	10,300
13,950	Total	14,534
	Deferred pensioners	
5,718	Flintshire County Council	5,525
11,557	Other employers	12,363
17,275	Total	17,888
48,767	Total employees	49,495

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 2022. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2019, the findings of which became effective on 1st April 2020. Currently employer contribution rates range from 11.5% to 29.4% 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 2021/22 financial year and its financial position at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which

is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

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

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

These changes were mandatory for the Fund's accounting periods beginning on or after 1st April 2021 or later periods and may require changes to accounting policies in future year's accounts. They are not expected to have a material impact on the Fund's financial statements.

Note 3 – Summary of significant accounting policies

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

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

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

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

Investment income

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

Fund Account – expense items

Benefits payable

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

Management expenses

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

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

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

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

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

Taxation

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

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

Net Assets Statement

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 31 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 2022 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 in asset values and individual assumptions can be measured. For instance, a 10% decrease in asset values would have reduced the 2019 valuation funding level of 91% to 82%. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 88% (a 0.25% p.a. increase in assumed inflation would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 79%.
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 31st March 2022. 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

2020/21		2021/22
£000s		£000s
(26,713)	Administering Authority - Flintshire County Council	(28,080)
(51,495)	Scheduled bodies	(52,973)
(3,597)	Admitted bodies	(4,200)
(81,805)	Total	(85,253)

By type

2020/21		2021/22
£000s		£000s
(17,177)	Employees contributions	(18,250)
	Employers' contributions:	
(48,720)	Normal contributions	(51,918)
(14,972)	Deficit recovery contributions	(14,378)
(936)	Augmentation contributions	(707)
(64,628)	Total employers' contributions	(67,003)
(81,805)	Total contributions	(85,253)

Note 8 – Transfers in from other pension funds

2020/21		2021/22
£000s		£000s
(3,415)	Individual transfers	(6,956)
(3,415)	Total	(6,956)

Note 9 – Benefits payable

By employer

2020/21		2021/22
£000s		£000s
26,978	Administering Authority - Flintshire County Council	29,132
48,738	Scheduled bodies	52,662
1,580	Admitted bodies	1,904
77,296		83,698

By type

2020/21		2021/22
£000s		£000s
65,188	Pensions	66,875
9,454	Commutation and lump sum retirement benefits	14,572
2,654	Lump sum death benefits	2,251
77,296		83,698

Note 10 – Payments to and on Account of Leavers

2020/21		2021/22
£000s		£000s
5,670	Individual transfers	4,054
174	Refunds to members leaving service	220
80	Other	182
5,924	Total	4,456

Note 11 – Management Expenses

2020/21		2021/22
£000s		£000s
2,032	Administration costs	2,242
17,296	Investment management expenses	20,595
2,595	Oversight and governance costs	2,929
21,924	Total	25,766

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £41k for 2021/22 (£39k in 2020/21).

Note 11a – Investment management expenses

2021/22	Management Fees	Performance related fees	Transaction Costs	Total
	£000s	£000s	£000s	£000s
Investment Assets				
Pooled Funds	2,946	0	1,285	4,231
Other investments				
Pooled property investments	2,103	61	260	2,424
Private equity and joint venture funds	4,618	1,990	99	6,707
Infrastructure funds	1,699	579	101	2,379
Timber and Agriculture	158	0	0	158
Private Debt	607	265	0	872
Impact / Local	2,054	1,504	160	3,718
	14,185	4,399	1,905	20,489
Custody Fees				106
Total				20,595
2020/21	Management Fees	Performance related fees	Transaction Costs	Total
	£000s	£000s	£000s	£000s
Investment Assets				
Pooled Funds	2,928	0	1,814	4,742
Other investments				
Pooled property investments	1,958	55	102	2,115
Private equity and joint venture funds	3,302	1,782	107	5,191
Infrastructure funds	1,419	450	190	2,059
Timber and Agriculture	149	0	0	149
Private Debt	864	328	1	1,193
Impact / Local	1,680	59	39	1,778
	12,300	2,674	2,253	17,227
Custody Fees				69
Total				17,296

Note 11b – Wales Pension Partnership management expenses

2020/21		2021/22
£000s		£000s
88	Oversight and Governance	135
113	Transaction Costs	622
190	Fund Management Fees	376
36	Custody Fees	67
427	Total	1,200
427		1,200

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 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 the Net Asset Value (NAV). 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

2020/21		2021/22
£000s		£000s
	Pooled Funds	
1,958	Income from multi asset credit	6,043
2,990	Income from global equity	2,254
0	Income from emerging market equity	1,486
	Other investments	
2,794	Income from pooled property investments	3,529
704	Income from private equity and joint venture funds	1,225
4,330	Income from infrastructure funds	5,169
0	Income from timber & agriculture funds	60
3,625	Income from private debt	3,088
952	Income from impact / local funds	677
233	Interest on cash deposits	17
218	Other income	41
17,804		23,589
17,804		23,589

Note 13 – Investments

2020/21		2021/22
£000		£000
	Investment Assets	
	Pooled Funds	
250,378	Multi asset credit	246,032
231,021	Diversified growth funds	273,120
500,832	Liability Driven Investment	596,076
145,594	Hedge Fund of Funds	157,982
231,366	Global equity	263,295
231,837	Emerging Market Equity	220,789
	Other investments	
132,870	Pooled property investments	146,298
193,496	Private equity and joint venture funds	200,245
106,610	Infrastructure funds	124,721
17,555	Timber and Agriculture	14,125
52,968	Private Debt	52,592
58,171	Impact/ Local	79,332
2,152,698		2,374,607
67,282	Cash deposits	109,860
2,812	Amounts receivable for sales	
2,222,792	Total investment assets	2,484,467

During the year the Fund transitioned Emerging Market Equities from BlackRock (£82.4m) and Wellington (£147.5m) plus an additional £11m of cash to WPP Emerging Market Equity (£240.9m)

Note 13 A – Reconciliation of movements in investments and derivatives

	Market value 1st April 2021	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Investment Assets							
Pooled Funds							
Multi asset credit	250,378	5,842	0	0	0	(10,188)	246,032
Diversified growth funds	231,021	0	(143)	0	0	42,242	273,120
Liability Driven Investment	500,832	0	(1,624)	0	0	96,868	596,076
Hedge Fund of Funds	145,594	0	(185)	0	0	12,573	157,982
Global equity	231,366	2,031	(14)	0	0	29,912	263,295
Emerging Market Equity	231,837	240,924	(230,949)	0	0	(21,022)	220,789
Other investments							
Pooled property investments	132,870	4,582	(9,195)	0	0	18,041	146,298
Private equity and joint venture funds	193,496	24,639	(59,574)	0	0	41,685	200,245
Infrastructure funds	106,610	13,133	(16,254)	0	0	21,232	124,721
Timber and Agriculture	17,555	0	(5,544)	0	0	2,114	14,125
Private Debt	52,968	8,077	(12,588)	0	0	4,135	52,592
Impact / Local	58,170	16,513	(19,232)	0	0	23,881	79,332
	2,152,698	315,740	(355,302)	0	0	261,473	2,374,607
Cash deposits	67,282						109,860
Currency Loss	0					(67)	
Amount receivable for sales	2,812						
Total investment assets	2,222,792					261,406	2,484,467

	Market value 1st April 2020	Purchases during the year	Sales during the year	Take ons during the year	Take offs during the year	Change in market value	Market value 31st March 2021
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Investment Assets							
Pooled Funds							
Multi asset credit	182,263	242,843	(208,286)	0	0	33,558	250,378
Diversified growth funds	346,996	284	(171,334)	0	0	55,076	231,022
Liability Driven Investment	317,546	39,768	(31,007)	0	0	174,525	500,832
Hedge Fund of Funds	140,663	0	(160)	0	0	5,091	145,594
Global equity	140,136	110,733	(76,187)	0	0	56,685	231,367
Emerging Market Equity	100,300	71,467	(1,789)	0	0	61,858	231,836
Other investments							
Pooled property investments	126,651	6,453	(14,923)	12,059	0	2,630	132,870
Private equity and joint venture funds	226,849	12,952	(29,062)	0	(63,821)	46,579	193,497
Infrastructure funds	112,156	15,352	(5,580)	0	(12,733)	(2,586)	106,609
Timber and Agriculture	19,914	0	(2,675)	0	0	316	17,555
Private Debt	40,911	2,154	(5,492)	17,190	0	(1,796)	52,967
Impact		7,018	(15,105)	47,305	0	18,953	58,171
	1,754,384	509,024	(561,600)	76,554	(76,554)	450,889	2,152,698
Cash deposits	20,238						67,282
Amount receivable for sales	0						2,812
Total investment assets	<u>1,774,622</u>						<u>2,222,792</u>

Note 13b – Analysis by Fund Manager

2020/21			2021/22		
£000	%		£000	%	
Pooled Investments					
367,437	17.1%	Russell Investments	596,583	25.1%	
196,791	9.1%	Blackrock (Passive)	133,533	5.6%	
564,228	26.2%		730,116	30.7%	
Investments managed outside Wales Pension Partnership					
500,832	23.3%	Insight	596,076	25.1%	
231,021	10.7%	Mobius	273,120	11.5%	
149,353	6.9%	Wellington	0	0.0%	
145,594	6.8%	MAN Group	157,982	6.7%	
561,670	26.1%	Private Markets	617,313	26.0%	
1,588,470	73.8%		1,644,491	69.3%	
2,152,698	100%		2,374,607	100%	

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.

2020/21		Manager	Holding	2021/22	
£000	%			£000	%
500,832	24	Insight	596,076	25	LDI Active 22 Fund

Note 13c – Stock Lending

The Fund's Investment Strategy sets the parameters for its stock lending programme. The Fund participates in stock lending through its investments with WPP. At 31 March 2022 the total value of all WPP stock on loan was £430,743,792. Total net revenue during 2021/22 was £1,101,659 of which the Clwyd Pension Fund received £47,992.

Note 14 – Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2022 or 31 March 2021.

Note 15 - Fair value of investments

Fair Value – Basis of valuation

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

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

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

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

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

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

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

from investment sales		of the short-term nature of these financial instruments		
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	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument

regular trading does not take place				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 2022 and 31 March 2021.

2021/22	Potential variation in fair value¹	Value at 31st March	Potential value on increase	Potential value on decrease
	%	£000s	£000s	£000s
Other investments				
Pooled property investments	14.1	132,206	150,847	113,565
Private equity and joint venture funds	25.0	200,245	250,306	150,184
Infrastructure funds	15.0	114,553	131,736	97,370
Timber and Agriculture	8.7	14,125	15,354	12,896
Private Debt	10.6	52,592	58,167	47,017
Impact/ Local	25.0	79,332	99,164	59,499
		593,053	705,574	480,531

¹ The percentages used in this note were reviewed and agreed in 2021/22 by the Fund consultant.

2020/21	Potential variation in fair value	Value at 31st March	Potential value on increase	Potential value on decrease
	%	£000s	£000s	£000s
Other investments				
Pooled property investments	10	121,401	133,541	109,261
Private equity and joint venture funds	10	193,496	212,846	174,147
Infrastructure funds	10	91,550	100,705	82,395
Timber and Agriculture	7	17,555	18,783	16,326
Private Debt	10	52,968	58,265	47,671
Impact/ Local	10	58,171	63,988	52,353
		535,141	588,127	482,153

Note 15a – Fair Value of hierarchy

The following table shows the position of the Fund's assets at 31st March 2022 based on the Fair Value hierarchy:

Values at 31st March 2022

	Quoted market price	Using observable inputs	Significant observable inputs	Total
	£000s	£000s	£000s	£000s
Investment Assets				
Pooled Funds				
Multi Asset Credit		246,032		246,032
Diversified growth funds		273,120		273,120
Liability Driven Investment		596,076		596,076
Hedge Fund of Funds		157,982		157,982
Global equity		263,295		263,295
Emerging Market Equity		220,789		220,789
Other investments				
Pooled property investments		14,092	132,206	146,298
Private equity and joint venture funds			200,245	200,245
Infrastructure funds	10,168		114,553	124,721
Timber and Agriculture			14,125	14,125
Private Debt			52,592	52,592
Impact/Local			79,332	79,332
	10,168	1,771,386	593,053	2,374,607
Cash deposits	109,860			109,860
Total investment assets	120,028	1,771,386	593,053	2,484,467

Values as at 31st March 2021

	Quoted market price	Using observable inputs	Significant observable inputs	Total
	£000s	£000s	£000s	£000s
Investment Assets				
Pooled Funds				
Multi Asset Credit		250,378		250,378
Diversified growth funds		231,021		231,021
Liability Driven Investment		500,832		500,832
Hedge Fund of Funds		145,594		145,594
Global equity		231,366		231,366
Emerging Market Equity	149,353	82,484		231,837
Other investments				
Pooled property investments		11,469	121,401	132,870
Private equity and joint venture funds			193,496	193,496
Infrastructure funds	9,099	5,962	91,550	106,610
Timber and Agriculture			17,555	17,555
Private Debt			52,968	52,968
Impact/Local			58,171	58,171
	158,451	1,459,107	535,140	2,152,698
Cash deposits	67,282			67,282
Amounts receivable for sales	2,812			2,812
Total investment assets	228,546	1,459,107	535,140	2,222,792

Note 15b: Reconciliation of Fair Value measurements within level 3

	Value at 31st March 2021	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2022
Other Investments								
Pooled property investments	121,401	0	0	4,582	(7,796)	11,287	2,731	132,206
Private equity and joint venture funds	193,496	0	0	24,639	(56,121)	14,945	23,286	200,245
Infrastructure funds	91,550	0	0	12,678	(15,501)	19,578	6,248	114,553
Timber and Agriculture	17,555	0	0	0	(5,412)	648	1,334	14,125
Private Debt	52,968	0	0	8,077	(12,413)	3,960	0	52,592
Impact/Local	58,171	0	0	16,513	(17,064)	15,469	6,242	79,332
	535,140	0	0	66,489	(114,307)	65,887	39,841	593,053

	Value at 31st March 2020	Take Ons	Take offs	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31st March 2021
Other Investments								
Pooled property investments	115,468	12,059	0	6,453	(14,923)	(1,271)	3,615	121,401
Private equity and joint venture funds	226,849	0	(63,821)	12,952	(29,062)	35,189	11,390	193,496
Infrastructure funds	97,293	0	(12,733)	15,352	(5,580)	(5,350)	2,567	91,550
Timber and Agriculture	19,913	0	0	0	(2,675)	305	12	17,555
Private Debt	40,911	17,190	0	2,154	(5,492)	(1,796)	0	52,968
Impact/Local	0	47,305	0	7,017	(15,105)	18,520	434	58,171
	500,433	76,555	(76,555)	43,928	(72,836)	45,596	18,019	535,140

Note 16 - Classification of Financial Instruments

Fair Value through profit and loss £000s	2020/21		Financial liabilities at amortised cost £000s	Fair Value through profit and loss £000s	2021/22	
	Loans and receivables £000s				Loans and receivables £000s	Financial liabilities at amortised cost £000s
Financial Assets						
Pooled Funds						
250,378				246,032		
231,022				273,120		
Liability Driven Investment						
500,832				596,076		
145,594				157,982		
231,367				263,295		
231,836				220,789		
Other investments						
132,870				146,298		
193,497				200,245		
106,609				124,721		
17,555				14,125		
52,967				52,592		
58,171				79,332		
30,204	37,078			30,215	79,645	
	2,812					0
	417					392
2,182,902	40,307	0		2,404,822	80,037	0
Financial liabilities						
		(451)	Creditors			(543)
2,182,902	40,307	(451)		2,404,822	80,037	(543)

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 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Assets exposed to price risk	Value	3 year volatility range	Value on increase	Value on decrease
	£000s	%	£000s	£000s
As at 31 March 2021	2,219,980	8.86%	2,416,656	2,023,304
As at 31 March 2022	2,484,467	8.30%	2,690,668	2,278,267

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.

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.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£000s	£000s	£000s
As at 31 March 2021	317,660	314,483	320,837
As at 31 March 2022	951,968	877,556	1,047,329

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.

Assets exposed to currency risk	Value	%	Value on increase	Value on decrease
	£000s	%	£000s	£000s
As at 31 March 2021	1,415,871	6.52%	1,508,167	1,323,575
As at 31 March 2022	1,009,361	16.29%	1,110,297	908,425

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 2022 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 2022, liquid assets were £1,782m representing 75% of total fund assets (£1,617m at 31 March 2021 representing 75% 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.

2020/21		2021/22
£m		£m
3,352	Present value of promised retirement benefits	3,401
(2,223)	Fair value of scheme assets	(2,484)
1,129	Total	917

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:

2020/21		2021/22
%		%
2.70	Inflation/pension increase rate assumption	3.30
3.95	Salary increase rate	4.55
2.10	Discount rate	2.80

Note 19 – Current Assets

2020/21		2021/22
£000s		£000s
254	Long-term debtors	294
	Short-term debtors	
942	Contributions due - Employees	1,642
3,624	Contributions due - Employers	4,882
397	Prepayments	389
96	Sundry debtors	49
5,059	Total Short-term debtors	6,962
5,313	Total	7,256

Note 20 – Current Liabilities

2020/21		2021/22
£000		£000
(131)	Contributions received in advance	(170)
(1,083)	Benefits payable	(1,234)
(8)	Administering authority	(7)
(11)	HMRC	(17)
(664)	Sundry creditors	(803)
(1,897)	Total	(2,231)

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 below.

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.

2020/21		2021/22
£000		£000
595	Contributions in the year	1,089
Value of AVC funds at 31 March:		
5,442	Prudential	6,551
346	Utmost (formerly Equitable Life)	300
5,788	Total	6,851

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.

2019/20		2020/21
£000s		£000s
475	Conwy County Borough Council	453
1,653	Denbighshire County Council	1,579
3,000	Flintshire County Council	2,916
19	Powys County Council	18
2,040	Wrexham County Borough Council	1,954
55	Coleg Cambria	51
41	Other employers	49
7,283	Total	7,020

Note 23 - Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2022, four Members of the Clwyd Pension Fund Committee had taken this option, with two 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.

Flintshire County Council

During the year Flintshire County Council incurred costs of £2.1m (£1.8m in 2020/21) 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 are the Chair of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2020/21		2021/22
£000s		£000s
20	Short-term benefits	20
56	Post-employment benefits	5
76	Total	25

Note 24 - Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 were £188m (31 March 2021: £179m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Note 25

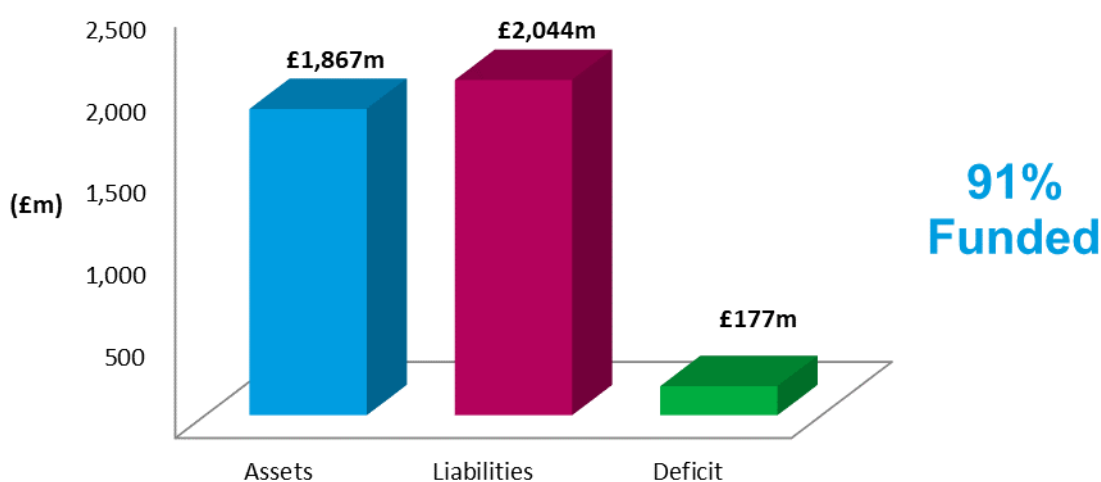
Clwyd Pension Fund

Accounts for the year ended 31 March 2022 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,867 million represented 91% of the Fund's past service liabilities of £2,044 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £177 million.



The valuation also showed that a Primary contribution rate of 17.3% 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 Funding Strategy Statement (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.

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 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) was an addition of approximately £16m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS and includes the estimated costs in relation to McCloud judgement where appropriate), 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 31 March 2020.

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)	4.15% per annum	4.65% per annum
Rate of pay increases (long term)*	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014 .

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment was an increase in past service liabilities of broadly £9 million and an increase in the Primary Contribution rate of 0.5% of Pensionable Pay per annum as at the last valuation. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate shown above).

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority, who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.3% per annum
Rate of pay increases*	3.95% per annum	4.55% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.4% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was predominantly offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.3%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £3,352 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£55 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £76 million due to “actuarial gains” (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2022 is therefore £3,401 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman

Fellow of the Institute and Faculty of Actuaries

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

August 2022

Statement Of Responsibilities For The Statement 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 Section 151 Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Signed :

CLlr Ted Palmer

Chair of the Pension Committee

Date : TBC

The Chief Finance Officer's Responsibilities

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. 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 judgements 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 2022, and its income and expenditure for the year then ended.

Signed :

Gary Ferguson CPFA

Corporate Finance Manager (S151 Officer)

Date : TBC

Audit Report

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

Appendix 8 - Financial Report

Introduction

This report includes financial monitoring reports for the year 2021/22 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 2021/22

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 27% 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 2021/22. 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.

2021/22	Budget £000s	Actual £000s	Variance £000s
Opening Cash	(29,760)	(37,078)	
Payments			
Pensions	66,600	66,794	194
Lump Sums & Death Grants	16,000	17,158	1,158
Transfers Out	6,000	4,459	(1,541)
Expenses (excluding investments)	5,480	5,047	(433)
Tax Paid	100	73	(27)
Support Services	180	173	(7)
Total Payments	94,360	93,704	(656)
Income			
Employer Contributions	(49,000)	(49,897)	(897)
Employee Contributions	(17,000)	(17,530)	(530)
Employer Deficit Payments	(15,000)	(14,383)	617
Transfers In	(6,000)	(6,957)	(957)
Pension Strain	(1,200)	(1,482)	(282)
Income	(40)	(13)	27
Total Income	(88,240)	(90,262)	(2,022)
Cash-flow Net of Investment Income	6,120	3,442	(2,678)
Investment Income	(8,000)	(11,635)	(3,635)
Investment expenses	4,000	6,162	2,162
Total Net of In House Investments	2,120	(2,031)	(4,151)
In House Investments			
Draw downs	66,175	66,941	(766)
Distributions	(69,203)	(117,117)	47,914
Net Expenditure /(Income)	(3,028)	(50,176)	47,148
Total Net Cash-Flow	(908)	(52,207)	51,299
Movement to/from Managers	0	9,640	(9,640)
Closing Cash	(30,668)	(79,645)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2025. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which currently looks to produce an overall return of 5.6% per annum.

	2022/23	2023/24	2024/25
	£000s	£000s	£000s
Opening Cash	(79,645)	(69,070)	(9,221)
Payments			
Pensions	68,400	70,000	72,000
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	6,800	5,800	5,880
Tax Paid	100	100	100
Support Services	200	180	180
Total Payments	97,500	98,080	100,160
Income			
Employer Contributions	(49,000)	(52,400)	(52,400)
Employee Contributions	(17,200)	(17,600)	(17,600)
Employer Deficit Payments	(15,000)	0	0
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(40)	(40)	(40)
Total Income	(88,440)	(77,240)	(77,240)
Cash-flow Net of Investment Income	9,060	20,860	22,860
Investment Income	(8,000)	(8,000)	(8,000)
Investment expenses	4,000	4,000	4,000
Total Net of In House Investments	5,060	16,860	18,860
In House Investments			
Draw downs	103,661	130,150	149,000
Distributions	(98,146)	(87,161)	(78,302)
Net Expenditure /(Income)	5,515	42,989	70,698
Total Net Cash-Flow	10,575	59,849	89,558
Rebalancing Portfolio	0	0	(90,000)
Closing Cash	(69,070)	(9,221)	(9,663)

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2021/22 compared to 2020/21. Management fees overall have increased primarily due to the increase in the underlying assets and performance fees from Private Market investments. Other significant changes were due to agreed additional project work in relation to the impact of the McCloud judgment and Private Markets.

	Actual 2020/21 £000s	Actual 2021/22 £000s	Variance 2020/21 To 2021/22 £000s
Governance Expenses			
Employee Costs	261	299	38
Support & Services Costs (Internal Recharges)	22	23	1
IT	1	0	(1)
Other (Transport, Supplies & Services)	54	65	11
Audit Fees	39	41	2
Actuarial Fees	504	493	(11)
Consultant Fees	847	1,066	219
Pooling (Consultants and Host)	101	144	43
Advisor Fees	576	533	(43)
Legal Fees	16	113	97
Pension Board	106	101	(5)
Total Governance Expenses	2,527	2,878	351
Investment Management Expenses			
Fund Manager Fees	16,924	19,490	2,566
Custody Fees	69	106	37
Performance Monitoring Fees	67	53	(14)
Pooling (Operator and FM costs)	304	998	694
Total Investment Management Expenses	17,364	20,647	3,283
Administration Expenses			
Employee Costs	1,091	1,242	151
Support Services Costs (FCC Recharges)	150	150	0
Premises	6	0	(6)
IT (Direct or External charged Services)	426	488	62
Other (Supplies & Services etc)	119	102	(17)
Outsourcing	42	41	(1)
Total Administration Expenses	1,834	2,023	189
Employer Liaison Team			
Direct Costs	199	218	19
Total Employer Liaison Team	199	218	19
Total Costs	21,924	25,766	3,842

The following table shows actual costs for 2021/22 compared to the budgeted costs along with the budget for 2022/23. Overall costs were broadly in line with expected. Actuarial and consultancy fees were lower than expected although fees for other advisors were higher.

	Actual	Budget	Variance	Budget
	2021/22	2021/22	2021/22	2022/23
	£000s	£000s	£000s	£000s
Governance Expenses				
Employee Costs	299	326	(27)	397
Support & Services Costs (Internal Recharges)	23	24	(1)	24
IT	0	5	(5)	5
Other (Transport, Supplies & Services)	65	97	(32)	95
Audit Fees	41	41	0	45
Actuarial Fees	493	696	(203)	879
Consultant Fees	1,066	1,142	(76)	1,627
Pooling (Consultants and Host)	144	130	14	197
Advisor Fees	533	485	48	517
Legal Fees	113	40	73	100
Pension Board	101	91	10	113
Total Governance Expenses	2,878	3,077	(199)	3,999
Investment Management Expenses				
Fund Manager Fees	19,490	19,915	(425)	16,275
Custody Fees	106	32	74	112
Performance Monitoring Fees	53	53	0	53
Pooling (Operator and FM costs)	998	636	362	500
Total Investment Management Expenses	20,647	20,636	11	16,940
Administration Expenses				
Employee Costs	1,242	1,366	(124)	1,433
Support Services Costs (FCC Recharges)	150	158	(8)	158
Premises	0	0	0	0
IT (Direct or External charged Services)	488	515	(27)	715
Other (Supplies & Services etc)	102	134	(32)	146
Outsourcing	41	30	11	0
Total Administration Expenses	2,023	2,203	(180)	2,452
Employer Liaison Team				
Direct Costs	218	286	(68)	363
Total Employer Liaison Team	218	286	(68)	363
Total Costs	25,766	26,202	(436)	23,754

Employers participating in the Fund at 31 March 2022

Contributions

55 bodies contributed to the Fund during 2021/22, 33 scheduled and 22 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 2021/22 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

3 new bodies have joined the Fund during 2021/22, all of which are admitted bodies and 3 bodies also ceased participation in the year (also admitted bodies) i.e. at 31 March 2022. 52 participating employers remain. No bonds or any other secured funding arrangements have been facilitated.

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Flintshire County Council	16,892,218	17.6	5,903,248.6	6.2
Wrexham County Borough Council	15,037,128	18.2	5,094,473	6.2
Denbighshire County Council	11,469,135	17.3	4,150,733	6.3
Coleg Cambria	2,541,826	16.5	986,700	6.5
North Wales Fire Service	921,044	17.0	374,173	6.9
Glyndwr University	1,399,723	17.1	555,478	6.8
North Wales Valuation Tribunal	27,396	18.9	11,664	8.0
Rhyl Town Council	22,677	18.7	8,999	7.4
Hawarden Community Council	43,894	21.8	14,221	7.1
Prestatyn Town Council	31,591	21.5	9,286	6.3
Mold Town Council	23,226	18.5	8,136	6.5
Coedpoeth Community Council	18,351	20.4	5,406	6.0
Rhos Community Council	17,332	21.6	4,871	6.1
Holywell Town Council	15,913	20.1	4,475	5.7
Buckley Town Council	21,583	26.6	5,105	6.3
Caia Park Community Council	22,485	20.8	6,405	5.9
Denbigh Town Council	6,581	18.5	2,244	6.3
Offa Community Council	12,070	26.3	2,807	6.1
Shotton Town Council	8,704	29.4	1,924	6.5
Cefn Mawr Community Council	6,331	12.2	2,653	5.1
Acton Community Council	5,797	22.9	1,513	6.0
Flint Town Council	4,545	17.5	1,688	6.5
Gresford Town Council	3,724	21.9	973	5.7
Ruthin	5,167	16.0	1,873	5.8
Marchwiell Community Council	4,173	23.1	1,047	8.6
Penyffordd Community Council	2,696	16.4	953	5.8
Hope Community Council	2,248	16.4	754	5.5
Broughton & Bretton	3,507	21.9	917	5.7
Bagillt Community Council	1,880	17.2	601	5.5
Northop Town Council	1,778	21.7	451	5.5
Gwernymynydd Community Council	1,738	28.8	332	5.5
Argoed Community Council	2,148	17.6	671.35	5.5
Connah's Quay Town Council	15,549	17.8	4,960.54	5.7
Total Scheduled bodies	48,594,158		17,169,738	

Admitted bodies	Employer Contributions	%	Employee contributions	Avg %*
	£		£	
Newydd Catering & Cleaning Ltd	560,379	21.8	145,759	5.7
Denbighshire Leisure	824,478	16.8	298,245	6.1
Aura Leisure & Libraries Ltd	622,945	18.7	206,856	6.2
Careers Wales	277,900	18.5	96,597	6.5
Civica UK	211,048	20.9	65,979	6.5
Home Farm Trust Ltd	116,269	20.1	34,337	5.9
Freedom Leisure	135,083	21.7	38,832	6.3
Holywell Leisure Ltd	48,144	18.1	16,102	6.1
Glyndwr Students Union	22,711	11.5	12,532	6.3
Aramark Ltd	14,508	18.8	4,321	5.6
Cartref NI	13,319	20.6	3,935	6.1
Hafan Deg (KL Care)	5,380	23.0	1,332	5.7
Churchills	6,090	19.6	1,709	5.5
Dolce	7,171	21.7	1,818	5.5
Denbigh Youth Group	6,850	24.6	7,810	28.0
Bodelwyddan Castle Trust	540	18.3	162	5.5
Morgan LLwyd	1,062	20.6	287	5.6
Cartref y Dyffryn Ceiriog	17,565	25.2	4,184	6.0
Midshire Signature Services Ltd	817.55	25.5	176.34	5.5
Theatre Clwyd Music Trust	102,231	19.5	31,979	6.1
Theatre Clwyd Trust	266,457	18.4	93,088	6.4
Aramark Ltd B	62,402	24.4	14,592	5.7
Total Admitted bodies	3,323,352		1,080,630	
Total contributions	51,917,510		18,250,368	

*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. During the year the Fund encountered some issues with some of the new employers within the Fund. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. 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 £3,824 (0.007% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	3	1,247
B	1	1,074
C	2	1,023
D	2	481

Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2022.

	UK £0	Non –UK £0	Global £0	Total £0
Equities	0	220,789	263,295	484,084
Alternatives	254,006	363,307	431,102	1,048,415
Bonds & LDI	596,076	0	246,032	842,108
Property (Direct)	0	0	0	0
Cash	109,860	0	0	109,860
Total	959,942	584,096	940,429	2,484,467

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.

Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2022.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	1,486	6,043	7,529
Alternatives	5,684	8,064	0	13,748
Bonds & LDI	0	0	2,254	2,254
Property (Direct)	0	0	0	0
Cash	58	0	0	58
Total	5,742	9,550	8,297	23,589

Fund Manager Expenses (including underlying 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	21/22 £000	Avg bps	20/21 £000
CORE (74% of Fund)	54	9,526	58	9,202
Total expenses including AMC	17	2,946	18	2,928
Underlying Fees (includes performance and transaction fees)	30	5,295	28	4,460
Performance Fees	0	0	0	0
Transaction Fees	7	1,285	11	1,814
NON CORE (26% of Fund)	302	18,643	260	14,579
Total expenses including AMC	182	11,239	167	9,372
Underlying Fees (includes performance and transaction fees)	39	2,386	37	2,094
Performance Fees	71	4,399	48	2,674
Transaction Fees	10	619	8	439
Total underlying fees	32	7,681	30	6,554
Total direct fees	86	20,488	80	17,227
Total fees	118	28,169	110	23,781
Net Assets (Core)		1,757,294		1,591,028
Net Assets (Non-Core)		617,313		561,670
Total Net Assets (excluding cash)		2,374,607		2,152,698

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 74% (74% in 2020/21) of the Fund assets but only 34% (39% in 2020/21) 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 26% (26% in 2020/21) of the Fund assets the proportion of fees amounts to 66% (61% in 2020/21). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 21% (28% in 2020/21) and non-core, 79% (72% in 2020/21). 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 £1,743k in 2021/22, which is due to the timing of the receipt of employer/employee contributions in April 2022. Current liabilities increased by £334k, primarily as a result of an increase of benefits payable due and an increase in the amounts due to Sundry Creditors. The benefits payable figure is volatile as it is affected by the amount of lump sums and death grants due but not paid on 31st March.

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

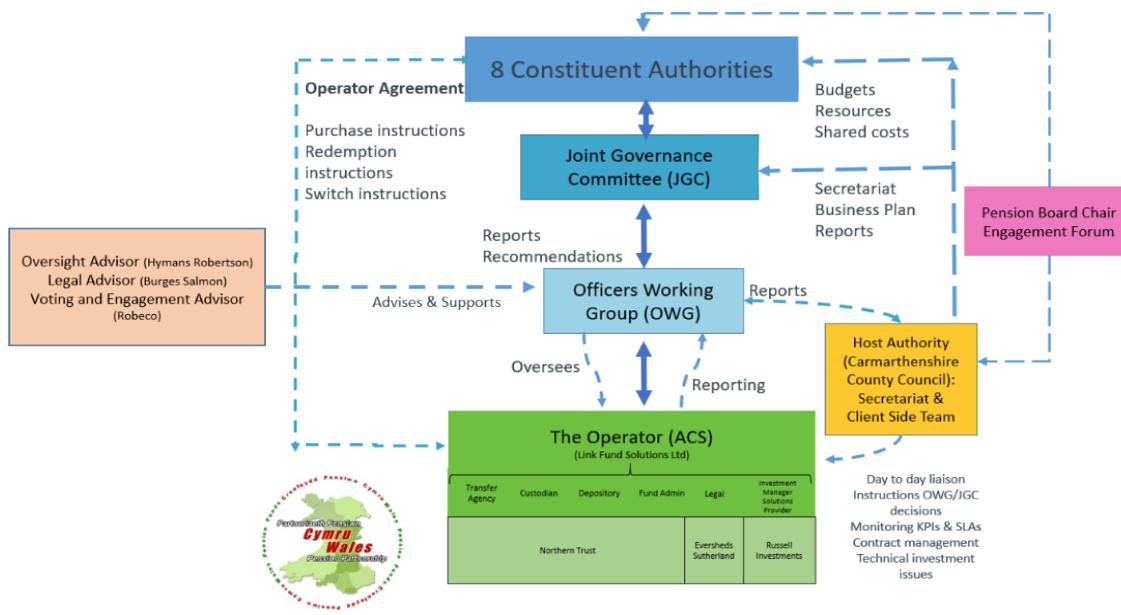
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history 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 Link Fund Solutions 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 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 work plan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

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.

Link Fund Solutions (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 Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at annual committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, 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.

Bfinance were appointed in 2021/22 to oversee the procurement of an Allocator for future WPP private market investments. The initial procurement exercise has resulted in the appointment of managers for private credit, open ended and closed ended infrastructure. The procurement exercise for private equity is ongoing and the property procurement will commence in the autumn of 2022.

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.

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.

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 2021/22.

Topic	Product Knowledge	Date
Private Markets	Asset Classes & Implementation, Fund Wrappers & Governance	21/4/2021
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting	20/07/2021
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking. Roles and Responsibilities with the ASC.	18/09/2021
Guidance, Regulatory and Best Practice	Good Governance & Cost Transparency	19/01/2022

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 have made significant progress towards delivering on this objective. The launching of the WPP's three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 72% of assets.

As at 31 March 2022, WPP has total assets worth £23.1bn, £16.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,303,494	14.3
Global Opportunities Equity Fund	Russell Investments	February 2019	3,387,940	14.7
UK Opportunities Equity Fund	Russell Investments	September 2019	730,278	3.2
Emerging Markets Equity Fund	Russell Investments	October 2021	464,615	2
Global Credit Fund	Russell Investments	July 2020	757,659	3.3
Global Government Bond Fund	Russell Investments	July 2020	507,273	2.2
UK Credit Fund	Link Fund Solutions	July 2020	574,224	2.5

Asset Class	Managed by	Launch Date	31 March 2022 £000	%
Multi-Asset Credit Fund	Russell Investments	July 2020	723,184	3.1
Absolute Return Bond Fund	Russell Investments	September 2020	509,605	2.2
Passive Investments	BlackRock	March 2016	5,599,927	24.2
Investments not yet pooled			6,534,711	28.3
Total Investments across all 8 Pension Funds			23,092,910	100

Investment assets split between Clwyd Pension Fund and WPP (see note 13B to the accounts)

	31 March 2022 £000	%
Global Opportunities Equity Fund	129,762	5.2
Global Multi Asset Credit	246,032	9.9
Emerging Market Equity Fund	220,789	8.9
Passive Equities	133,533	5.4
Investments not yet pooled	1,754,351	70.6
Total Investment Assets	2,484,467	100

The above table summarises Clwyd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year an additional £240.9m transitioned to the WPP portfolio. The table above shows the assets currently managed by the pool as at 31 March 2022.

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 2022 was £134.7k, 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.

2020/21 £000	WPP pooling costs	2021/22 £000
19	Host Authority Costs *	20
70	External Advisor Costs *	114
113	Transition Costs (Direct) **	0
202	Total	134

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

** Transition 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.

	Fees charged £000s				
	Total Expenses including AMC	Performance Fees	Transaction Costs	Custody	Total
Asset Pool					
Direct	390	0	622	67	1,079
Indirect (Underlying)	1,108	0	0	0	1,108
Total	1,498	0	622	67	2,187
bps	21	0	9	1	30
Non Asset Pool					
Direct	13,795	4,399	1,282	39	19,515
Indirect (Underlying)	3,365	2,781	427	0	6,573
Total	17,160	7,180	1,709	39	26,088
bps	104	44	10	0	159
Fund Total	18,658	7,180	2,331	106	28,275
bps	79	30	10	0	119

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 31st March 2022

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
Pool Assets						
Global Equities Passive	114,307	5.1	133,533	5.4	16.8	16.5
Emerging Market Equities Passive*	82,484	3.7	0	0.0	-	-
Emerging Market Equities Active**	0	0	220,789	8.9		
Global Equities Active	117,059	5.3	129,762	5.2	11.0	14.6
Bonds Active	250,378	11.3	246,032	9.9	-2.1	4.1
Total Pool Assets	564,228	25.4	730,116	29.4		
Non- Pool Assets						
Emerging Market Equities (Core) Active	77,686	3.5	-		-	-
Emerging Market Equities (Local) Active	71,667	3.2	-		-	-
Diversified Growth	231,021	10.4	273,120	11.0	20.3	8.8
Liability Driven Investment	500,832	22.6	626,291	25.2	17.9	17.9
Hedge Funds	145,594	6.6	157,982	6.4	8.5	3.6
Property	132,870	6.0	146,298	5.9	16.9	23.9
Private Equity	251,667	11.3	200,245	8.1	36.0	5.1
Local/ Impact	-	-	79,332	3.2	40.3	5.1
Infrastructure	106,610	4.8	124,721	5.0	22.3	5.1
Private Debt	52,968	2.4	52,592	2.1	18.1	7.5
Timber & Agriculture	17,555	0.8	14,125	0.6	6.1	5.1
Cash***	67,282	3.0	79,645	3.2		
Total Non-Pool assets	1,655,752	74.6	1,754,351	70.6		
Total assets	2,219,980	100	2,484,467	100	13.3	

Note: Performance shown for the 12 months to 31 March 2022.

* The Fund invested into the Fund to October 2021, hence 12 month performance is not available.

**The Fund invested into the Fund in October 2021, hence 12 month performance is not available.

***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. Total revenue of LF Wales Revenue during 2021/22 was £1,296,016 (gross) / £1,101,659 (net) of which the Clwyd Pension Fund received £47,992 with £430,743,792 out on loan as at 31 March 2022.

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

Responsible Investment

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. In 2020/21 WPP worked towards drafting and agreeing a Climate Risk Policy – this outlines the unified climate risk beliefs and what measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the importance of this subject matter. The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The sub group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

In 2022 the WPP established its approach as a responsible investor involving oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements namely the Task Force on Climate Related Financial Disclosures (TCFD). This guidance is currently out for consultation.

(TCFD - A description of the governance-related arrangements of an organisation to measure and managing climate-related risks and opportunities. A description of the processes in place for measuring and managing climate-related risks and opportunities).

Objectives 2022/23

Following the launch of a number of sub-funds to date, progress continues to be made with significant rationalisation of the existing range of mandates. The operator/allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

Private Market Sub Funds

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they will assist the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes.

New Sub Fund – Sustainable Equity

Russell Investments, the funds appointed Investment Managers were tasked in 2021/22 to build a bespoke sustainable equity sub-fund to provide a framework for WPP's proposed exclusions to include:

- Diversified fund exposure
- Alignment to WPP sustainability goals including Net Zero alignment and a clear climate focus.
- Multi-channel approach to engagement and commitment to deliver reporting outcomes aligned with the Sustainable Development Goals (SDGs).
- To offer flexibility to evolve as the WPP's requirements change, or as the sustainable themes develop further. Utilising Russell's Enhanced Portfolio Implementation (EPI).

The final proposed sub-fund structure was discussed at OWG in May 22 and was approved at the JGC in July 22.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due by the end of 2022
Private Debt / Infrastructure	Launch due before the end of 2022/23
Private Equity	Launch scheduled for early 2023/24

Other Objectives

During 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. During 2022/23 the WPP hopes to enhance its approach as a responsible investor further with the establishment of an engagement framework, enhancing reporting in accordance with the requirements of the UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD) and to continue reviewing existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Other 2021/22 Updates

JCG Scheme Member Representative

In November 2021, the Inter Authority Agreement was amended to reflect the changes required to support the appointment of Scheme Member JGC representatives.

The interviews took place in February 2022 and the following appointments were made :

- SMR – Osian Richards
- Deputy SMR – Ian Guy

Pooling Risks

The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP.

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
<p>Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool.</p>	<p>Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.</p>	<p>High</p>	<ul style="list-style-type: none"> • The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment. • A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. • A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.
<p>Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns.</p>	<p>The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.</p>	<p>High</p>	<ul style="list-style-type: none"> • Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) levels. • Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
			<p>with Link Fund Solutions and Russell Investment advisors.</p> <ul style="list-style-type: none"> • The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary.

Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can be reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for pooling collaboration generally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

Section 3 - 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 52 other large and small employers in North East Wales.

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

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

Governance & Delegation

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

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

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

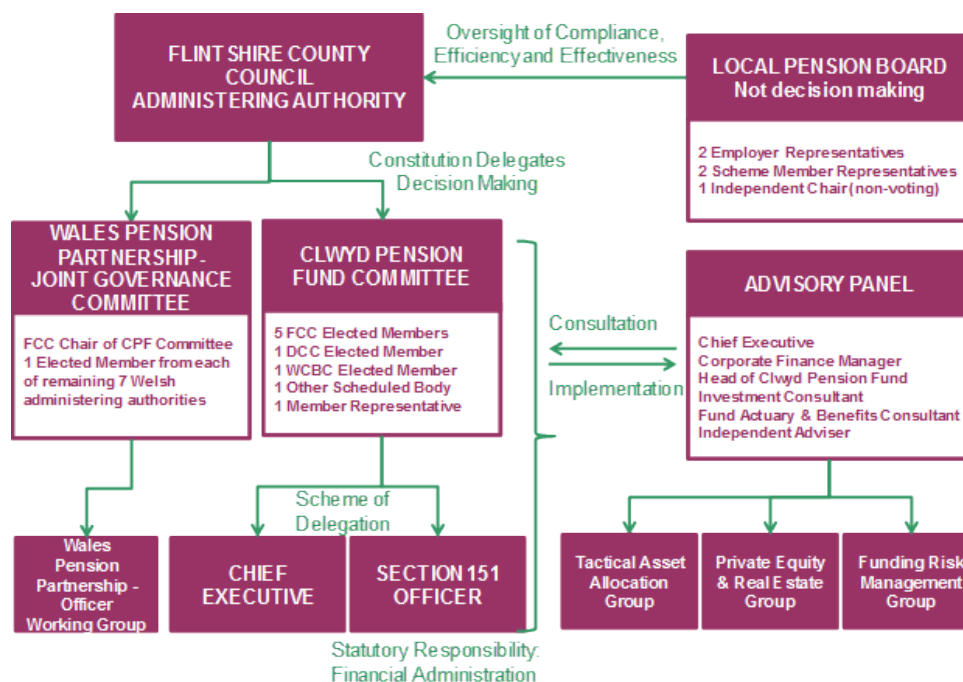
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The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

The Council's Chief Executive 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, Communication Strategy Statement, 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 and Knowledge and Skills 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 focusses 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 Governance, Training and Risk Management (Appendix 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 2).

The Fund’s Annual Report includes a governance compliance statement (Appendix 3). 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 2021/22 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.

The impact of COVID-19 on governance

The COVID-19 pandemic resulted in a number of necessary changes to the way the Fund operated in 2020/21 e.g. virtual meetings / remote working etc. Whilst generally restrictions eased in 2021/22 the Fund has continued to operate in a similar manner. In particular, the Fund's Committee and Pension Board continued to meet virtually throughout 2021/22.

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 2021/22 but 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 2021/22 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.

Neil Cockerton

Chief Executive

November 2022

Councillor Ted Palmer

Chair Clwyd Pension Fund Committee

November 2022

Section 4 - Regulatory Documents

Clwyd Pension Fund Annual Report 2021/22

The attached regulatory documents form part of the Governance and Performance framework within which the Fund operates. Other best practice documents are also available on Clwyd Pension Fund website. A list of these documents and the website address is available on the contents page of the report.

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

info@audit.wales / post@archwilio.cymru

www.audit.wales / www.archwilio.cymru

Mr Gary Ferguson
Corporate Finance Manager
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: WAO/CPF/MJP

Date issued: 21 March 2022

Issued via email

Dear Gary,

Clwyd Pension Fund 2021-22 - Audit enquiries to those charged with governance and management

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole; are free from material misstatement, whether caused by fraud or error. This letter formally seeks documented consideration and understanding on a number of governance areas, that impacts on our audit of the Clwyd Pension Fund's financial statements.

These considerations are relevant to both the management of Clwyd Pension Fund and 'those charged with governance' (the Pension Fund Committee).

We have set out below the areas of governance on which we are seeking views.

1. Management processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to those charged with governance the processes for identifying and responding to fraud; and
 - communication to employees of views on business practice and ethical behaviour.

2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurances are gained that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Pension Fund and its business processes and support our work in providing an audit opinion on your 2021-22 financial statements.

I would be grateful if you could liaise with Councillor Ted Palmer as the Chair of the Pension Fund Committee to complete the attached tables in Appendices 1-3.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 31 August 2022. Your responses from 2020-21 are included for reference. In the meantime, if you have queries, please contact me on 02920 320660 or by e-mail Michelle.Phoenix@audit.wales.

Yours sincerely



Michelle Phoenix
Audit Manager

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

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

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

What are we required to do?

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

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

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

I have included your 2020-21 responses to assist with completion.

Enquiries of management - in relation to fraud		
Question	2012-21 Response	2021-22 Response

<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>The risk is considered to be low, because:</p> <ul style="list-style-type: none"> - The Clwyd Pension Fund (CPF) processes and systems are audited by the Flintshire County Council (FCC) internal audit team, and their reports have not identified any serious weakness in relation to potential fraud. - CPF uses many of FCCs processes and systems, including staff payroll, payments of benefits, and the financial ledger system, which are subject to robust controls and are regularly audited. - The accounts are subject to internal review by members of the CPF team which would highlight distortion resulting from potential fraud. <p>Regular budget monitoring reports are produced which would highlight areas of potential fraud.</p>	<p>The risk is considered to be low, because:</p> <ul style="list-style-type: none"> - The Clwyd Pension Fund (CPF) processes and systems are audited by the Flintshire County Council (FCC) internal audit team, and their reports have not identified any serious weakness in relation to potential fraud. - CPF uses many of FCCs processes and systems, including staff payroll, payments of benefits, and the financial ledger system, which are subject to robust controls and are regularly audited. - The accounts are subject to internal review by members of the CPF team which would highlight distortion resulting from potential fraud. <p>Regular budget monitoring reports are produced which would highlight areas of potential fraud.</p>
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2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?

CPF has a Risk Policy approved by CPF Committee. Under this policy a risk register is maintained and reports on the register are considered quarterly by CPF Committee.

The CPF Pension Board acts as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively. CPF has in place an Independent Advisor, who chairs the Pension Board and offers advice and guidance on governance matters.

CPF has a Breaches Policy approved by CPF Committee. Under this policy, CPF maintains a breaches register and reports on the register are considered quarterly by CPF Committee and at each CPF Pension Board meeting. This includes how breaches of legislation have arisen

and how they have been managed.

CPF uses a number of FCC systems and processes which are governed by FCC's Financial Procedure Rules (FPR's). All officers are FCC employees and so are governed by FCC's Code of Conduct, Anti-Fraud and Corruption Strategy, Contract Procedure Rules, Whistle Blowing Policy and Constitution.

CPF participates in the NFI, which through its matching exercises would highlight potential fraud.

The Funds Actuary completes IAS 19 reviews annually for large employers which require reviews of membership trends and activity.

The CPF's Investment Advisor reviews asset valuations and performance regularly which would identify significant misstatements, and report regularly to CPF's Advisory Panel and CPF's Committee.

CPF has a Risk Policy approved by CPF Committee. Under this policy a risk register is maintained and reports on the register are considered quarterly by CPF Committee.

The CPF Pension Board acts as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the Fund effectively. CPF has in place an Independent Advisor, who chairs the Pension Board and offers advice and guidance on governance matters.

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CPF participates in the NFI, which through its matching exercises would highlight potential fraud.

The Funds Actuary completes IAS 19 reviews annually for large employers which require reviews of membership trends and activity.

The CPF's Investment Advisor reviews asset valuations and performance regularly which would identify significant misstatements, and report regularly to CPF's Advisory Panel and CPF's Committee.

	CPF receive the annual accounts and internal control statements from fund managers in relation to investments.	CPF receive the annual accounts and internal control statements from fund managers in relation to investments.
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Enquiries of management - in relation to fraud		
Question	2020-21 Response	2021-22 Response
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	FCC's FCRSs specify that whenever a matter arises in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting. The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.	FCC's FCRSs specify that whenever a matter arises in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting. The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.

4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	The FCC intranet contains all the relevant policies as above which can be accessed by all officers and members of FCC at any time. There has been a considerable training programme for Members during 202/21 details of which details may be found in the Fund's Annual report.	The FCC intranet contains all the relevant policies as above which can be accessed by all officers and members of FCC at any time. There has been a considerable training programme for Members during 2021/22 details of which details may be found in the Fund Annual Report. Induction training is arranged for all new Members as soon as possible after their appointment to the Committee.
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2021?	No.	No

Enquiries of management - in relation to fraud		
Question	2020-21 Response	2021-22 Response
6. How does the Pension Fund Committee, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.
7. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2021?	No.	No

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

I have included your 2020-21 responses to assist with completion.

Enquiries of management - in relation to laws and regulations		
Question	2020-21 Response	2021-22 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>All CPF activity is designed to conform to statutory requirements and the requirements of The Pensions Regulator. The Independent Advisor monitors CPF activity and reports annually. CPF makes use of external advisors, including an Actuary and an Investment Advisor, who also report annually.</p> <p>There is an Advisory Panel in place, chaired by the FCC Chief Executive, who work with CPF to ensure positive outcomes in all areas of CPF activity.</p>	<p>All CPF activity is designed to conform to statutory requirements and the requirements of The Pensions Regulator. The Independent Advisor monitors CPF activity and reports annually. CPF makes use of external advisors, including an Actuary and an Investment Advisor, who also report annually.</p> <p>There is an Advisory Panel in place, which includes the Corporate Finance Manager, S151 and the Corporate Manager, People and Organisational Development, who work with CPF to ensure positive outcomes in all areas of CPF activity</p>

<p>2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2021, or earlier with an ongoing impact on the 2021-22 financial statements?</p>	<p>The Breaches Register includes all cases of non-compliance and is reported regularly to the CPF Committee and the Pensions Board. No Breach has required reporting to The Pensions Regulator during 2019/20, and no Breach has had an impact on the preparation of the accounts.</p>	<p>The Breaches Register includes all cases of non-compliance and is reported regularly to the CPF Committee and the Pensions Board. No Breach has required reporting to The Pensions Regulator during 2021/22, and no Breach has had an impact on the preparation of the accounts.</p>
<p>3. Are there any potential litigations or claims that would affect the financial statements?</p>	<p>None that CPF is aware of.</p>	<p>None that CPF is aware of</p>
<p>4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No.</p>	<p>No.</p>

Enquiries of management - in relation to laws and regulations		
Question	2020-21 Response	2021-22 Response
5. How does the Pension Fund Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board.	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board
6. Are you aware of any instances of non-compliance with relevant laws and regulations?	No.	No

Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

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

I have included your 2020-21 responses to assist with completion.

Enquiries of management - in relation to related parties		
Question	2020-21 Response	2021-22 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the • period, including the type and purpose of the transactions. 	<p>Note 23 of the accounts for 20/21 makes all necessary disclosures.</p>	<p>Note 23 of the accounts for 21/22 makes all necessary disclosures</p>

<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting.</p>	<p>CPF has a Conflict of Interest Policy approved by CPF Committee. CPF Committee members regularly complete disclosures which are maintained on file. Members make any appropriate disclosure at the beginning of each CPF Committee meeting</p>
<p>3. How does the Audit Committee, on behalf of 'those charged with governance' (full Council), in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Members make appropriate declaration before each CPF Committee meeting. The Audit Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.</p>	<p>Members make appropriate declaration before each CPF Committee meeting. The Audit Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.</p>

Eitem ar gyfer y Rhaglen 5



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Stewardship Code Submission
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

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

The Fund was previously confirmed as a Tier One signatory to the 2012 Stewardship Code in March 2018. The new, more demanding version of the Code was launched in October 2019. The Fund committed to reviewing the requirements of the new Code, with the aim of becoming a signatory.

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

Becoming signatories of the Code aligns with the Fund's key objective of being an active responsible investor and illustrates the Fund's beliefs and objectives surrounding environmental, social and governance (ESG) issues.

The FRC deadline for submission is 31 October 2022. This submission is the first draft and continues to be worked on by officers and advisers. Although comprehensive, any thought and views from the Committee are welcome. Updates to the draft submission will continue to be made before the FRC deadline.

RECOMMENDATIONS

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

REPORT DETAILS

1.00	Clwyd Pension Fund's draft Stewardship Code submission
1.01	<p>Background</p> <p>The purpose of this report is to support the Clwyd Pension Fund's application to the Financial Reporting Council (FRC) to apply for signatory status of the UK Stewardship Code 2020 (the "Code"). The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</p>
1.02	<p>The Code applies to:</p> <ul style="list-style-type: none">• Asset owners such as pension schemes, insurers, foundations, endowments, local government pension pools and sovereign wealth funds.• Asset managers who manage assets on behalf of UK clients or invest in UK assets.• Service providers such as investment consultants, proxy advisors, data and research providers that support asset owners and asset managers to exercise their stewardship responsibilities. <p>To become a signatory of the Code, you need to be able to demonstrate to FRC that you can meet these stewardship standards. Signatories are required to resubmit on an annual basis to continue to demonstrate compliance.</p>
1.03	<p>The Fund was previously confirmed as a Tier One signatory to the 2012 Stewardship Code in March 2018. The new, more demanding version of the Code was launched in October 2019. The Fund committed to reviewing the requirements of the new Code, with the aim of becoming a signatory. The draft submission, which has been prepared for this purpose, is included in the Appendix. Being a signatory of the Code helps demonstrate to the Fund's stakeholder and other interested parties that the Fund is committed to being a responsible investor.</p>
1.04	<p>As previously reported, Wales Pension Partnership (WPP) made a successful submission earlier in 2022 and are now signatories for the Code. The FRC helpfully identified a number of improvement areas as part of feedback to WPP's submission, which are being considered in advance of the 2023 review.</p>
1.05	<p>Stewardship is often simply thought of as voting on listed equities. However this is much wider and considers engagement and approach relating to all asset classes.</p> <p>Becoming signatories of the Code aligns with the Fund's key objective of being an active responsible investor and illustrates the Fund's beliefs and objectives surrounding environmental, social and governance (ESG) issues.</p>

1.06	<p>The draft submission demonstrates the work that has been conducted in respect of stewardship both in the past, and the commitments to continued progression in the future in areas such as private markets and equities. Our beliefs and priorities were documented and consulted on with employers as part of reviews of the Fund’s Responsible Investment Policy in 2019 and 2021 (which is within the Fund’s Investment Strategy Statement).</p>
1.07	<p>The Code has twelve “comply and explain” principles, under four main sections. The draft submission demonstrates the Fund’s approach in relation to each of these principles. The twelve principles are:</p> <p><u>Purpose and governance</u></p> <ol style="list-style-type: none"> 1. Purpose, strategy and culture 2. Governance, resources and incentives 3. Conflicts of interest 4. Promoting well-functioning markets 5. Review and assurance <p><u>Investment approach</u></p> <ol style="list-style-type: none"> 6. Client and beneficiary needs 7. Stewardship, investment and ESG integration 8. Monitoring managers and service providers <p><u>Engagement</u></p> <ol style="list-style-type: none"> 9. Engagement 10. Collaboration 11. Escalation <p><u>Exercising rights and responsibilities</u></p> <ol style="list-style-type: none"> 12. Exercising rights and responsibilities
1.08	<p>The deadline for submission is 31 October 2022. This report is the first draft and although comprehensive, any thought and views from the Committee are welcome. Updates to the report can be made before submission.</p>
1.09	<p>Explanation of Main Sections</p> <p><i>Purpose and Governance</i></p> <p>This section outlines the Fund’s culture, values and investment beliefs that enable good stewardship to provide sustainable long-term benefits for all stakeholders. Also discussed in this section is how governance and assurance structures, and processes, enable the Fund to manage risks.</p>
1.10	<p><i>Investment Approach</i></p> <p>This section discusses how the responsible investment beliefs are incorporated into the asset allocation to ensure that the Fund invests in a responsible and sustainable way, as well as ensuring it can pay benefits to its members as and when they fall due.</p>

1.11	<p><i>Engagement</i></p> <p>This area demonstrates all aspects of engagement, including direct engagement by the officers of the Fund and also engagement conducted on behalf of the funds participating in WPP through Robeco. Several examples are provided on engagement including an example of enhanced engagement. This section also covers how the Fund and its officers engage within the wider market, as members/ affiliates of several boards and initiatives including but not limited to LAPFF (Local Authority Pension Fund Forum), Pensions and Lifetime Savings Association (PLSA) Local Authority Committee and Pensions for Purpose. In addition, it discusses how the Fund has actively engaged with other Funds and asset managers to support development of new sub-funds within WPP, creating new sustainable investment opportunities.</p>
1.12	<p><i>Exercising rights and responsibilities</i></p> <p>This area demonstrates how the Fund has delegated voting rights to the WPP, who in turn, have appointed Robeco as its voting and engagement provider. This section explains voting policy and voting areas, as well as providing several examples of engagement which Robeco have taken on behalf of the participating funds in WPP.</p>
1.13	<p>Key points to note</p> <p>Whilst this is the Funds first submission to the new Code, the Fund has followed the spirit of the Code for a number of years and this submission is a just way to articulate what the Fund has been doing to FRC. The following paragraphs highlight some of the key areas that have been included in the draft submission.</p>
1.14	<p>As a member of WPP, Clwyd Pension Fund has delegated all voting rights to WPP. Voting rights give shareholders the opportunity and responsibility to engage and participate in the stewardship of companies. Clwyd Pension Fund expects WPP, Robeco and underlying fund managers to comply with the Stewardship Code.</p>
1.15	<p>The submission outlines the main changes that have made to the Fund's Responsible Investment Policy in recent years, including:</p> <ul style="list-style-type: none"> • In 2022 the Fund made a commitment to achieve a net zero carbon dioxide emission's target by 2045, with an interim target of carbon reduction of 50% by 2030. • The Fund has targeted to have at least 30% of its asset allocation allocated to sustainable investments by 2030. • Within the Fund's allocation to global equity there is an underlying 5% strategic allocation commitment to sustainable equity. This allocation is currently invested in the BlackRock World ESG Equity Fund.
1.16	<p>Historically, the Fund has always been committed to making responsible decisions and acting in a responsible manner. In 2012, the Fund engaged</p>

	with managers on matters pertaining to ESG issues by sending out surveys to all the private market managers on such matters. In 2017, the Fund had a sustainability policy in place which was well before any formal requirement for such. The Fund at the time supported investments with strong sustainability / impact focus and increased its allocation to infrastructure from 4% to 8%, with a clean energy emphasis. The Fund also wrote to all private equity and real asset managers to determine how aligned the current investments were to the United Nations' Sustainable Development Goals (UNSDG).
1.17	The Fund now has a strategic target to allocate 4% of the total portfolio to Local/Impact investments within private markets. Outside of this specific Local/Impact allocation, the Fund also endeavour to make sustainably-focused allocations within their other private markets asset classes (private equity, private debt, infrastructure and real estate) where possible, subject to the availability of investable opportunities in the market.
1.18	The Fund works in collaboration with the WPP on all pooling matters and are therefore closely involved in decision making in areas such as creation of new sub-funds, voting and engagement and monitoring of existing pooled managers. A recent example of this was in the creation of the WPP Sustainable Active Equity Fund, which is due to be launched later in the year. The Fund collaborated with other funds within the pool, as well as WPP and Russell in designing a detailed specification for the Fund.
1.19	The Fund is an Affiliate member of Pensions for Purpose. "Pensions for Purpose" exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment". The Fund is also a member of the Impact Investing Adopters Forum, which is run by Pensions for Purpose in partnership with the Impact Investing Institute to advance their principles. As an adopter the Fund has committed to the Impact Investing Institute's Impact Investing Principles and advancing the impact investing agenda.
1.20	The deadline for submission is 31 October 2022. The current draft is work in progress by officers and advisers. Although comprehensive, any thought and views from the Committee are welcome. Updates to the report will be made before submission and the Committee is asked to approve that the Head of Clwyd Pension Fund can approve the final version for submission.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

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

4.00	RISK MANAGEMENT
4.01	<p>This report addresses some risks identified in the Fund’s Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Funding and Investment risks: F1, F4, F8, F9, I1 and I2

5.00	APPENDICES
5.01	Appendix – Draft Clwyd Pension Fund submission for Stewardship Code

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) 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</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) The Committee - Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) AP – Advisory Panel – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.</p> <p>(e) 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.</p> <p>(f) TAAG – Tactical Asset Allocation Group – a group consisting of Clwyd Pension Fund officers and consultants from Mercer, the Fund</p>

Consultant, which considers short-term investment opportunities.

- (g) **Private Market Investments** – Commitments to private equity / debt, property, infrastructure, timber, agriculture and other impact and local opportunities.
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **ISS – Investment Strategy Statement** – the statutory document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (j) **FSS – Funding Strategy Statement** – the statutory document that outlines approach to funding and how we will manage employers contributions to the Fund
- (k) **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 Clwyd Pension Fund officers , Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- (m) **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.
- (n) **Department for Levelling Up, Housing & Communities (DLUHC)** – the Government Department responsible for the LGPS including making LGPS legislation and policy.
- (o) **Financial Reporting Council (FRC)** – regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
- (p) **Local Authority Pension Fund Forum (LAPFF)** – is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities, promoting specific investment interests of local authority pension funds as asset owners.
- (q) **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.

- (r) **UK Stewardship Code 2020** – set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.
- (s) **Chartered Institute of Public Finance and Accountancy (CIPFA)** – UK based accountancy membership and standard setting body.
- (t) **Society of Local Authority Chief Executives (SOLACE)** – a leading members’ network for local authority government and public sector professionals through the UK.
- (u) **Markets in financial instruments directive II (MiFID II)** – a European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims to standardise practises across the EU.
- (v) **Pensions and Lifetime Savings Association (PLSA)** – a trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.
- (w) **UN Principles for Responsible Investment (PRI)** – international organisation that works to promote the incorporation of ESG factors into all decision-making processes, seeking to build a more sustainable financial system.
- (x) **Pensions for Purpose** – exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment.

A full glossary of Investments terms can be accessed via the following link.
<https://www.schroders.com/en/uk/adviser/tools/glossary/>

Stewardship Report

Clwyd Pension Fund
for the year ending 31 March 2022

In accordance with the UK Stewardship Code 2020

DRAFT

Foreword

We are proud to submit the Clwyd Pension Fund's (the "Fund") first Annual Stewardship Report, covering the year 1 April 2021 to 31 March 2022.

The Fund has long been an advocate of investing sustainably and the importance of active stewardship. As a Tier 1 signatory to the Financial Reporting Council (FRC) Stewardship Code 2021, it is vitally important to us to maintain our high standards. We welcome the enhanced scope of the FRC UK Stewardship Code 2020 which encompasses all asset classes with a focus on activities and outcomes.

This report explains how the Fund has fulfilled its stewardship obligations that it has previously set out in its Investment Strategy Statement (ISS) and its Responsible Investment Policy.

The reporting period has been volatile, with the world economy re-opening after the COVID-19 pandemic, the Russian invasion of Ukraine, rising inflation and increased recessionary risk for all economies. Despite these volatile times, the Fund has not only continued to act in the best interests of its members but has strived to improve its policies and objectives to partially mitigate future risks the Fund may face, as well as looking for opportunities to add value for its members.

Climate change has been a key focus for the Fund over the period, with the risks and opportunities presented being carefully considered by the Fund and its advisors. The Fund has updated its ISS over the period to ensure its beliefs and objectives reflect the responsible investing views of its stakeholders. An example of which is the Fund's Net Zero commitments which are discussed later in the report.

A key objective of the Fund is to invest responsibly in line with the interests of the Fund's members, this allows for members to feel confident that their investments are invested in such a way that is making a difference for the current and future environment. The Fund's engagement with the Wales Pension Partnership (WPP) and Russell investments in developing a Global Sustainable Equity Fund for all members of the WPP to invest in is a key example of how the Fund is taking ownership of its responsibilities as a responsible investor.

The Fund continues to work in collaboration for the WPP who are ultimately responsible for engagement with investment managers. The WPP has actively engaged with managers over the period, these engagements are discussed further in the report.

We are extremely happy with the work and engagement of the Fund over the period and look forward to continuing the good work over the next 12 months.

Cllr. Ted Palmer

Chair Clwyd Pension Fund Committee

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

REPORTING EXPECTATIONS

Context

Signatories should explain:

the purpose of the organisation and an outline of its culture, values, business model and strategy; and
their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.

Activity

Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

Outcome

Signatories should disclose:

- how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and
- an assessment of how effective they have been in serving the best interests of clients and beneficiaries.



Principle 1

Purpose and Governance

“Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”

1.1 The Clwyd Pension Fund purpose is to provide death and retirement benefits for around 49,100 local government employees (other than teachers, police and fire fighters) in North East Wales and employees other qualifying bodies which provide similar services.

1.2 Local Government Pension Scheme (LGPS) administering authorities are individually responsible for managing their own Fund on behalf of all stakeholders. The key decision making and management of the Fund has been delegated by Flintshire County Council to a formal Pension Fund Committee (with multi-employer and scheme member representatives) supported by a Pensions Advisory Panel. The detailed structure and delegations of authority within the Clwyd Pension Fund is set out further in this report, however much of the culture of the Fund is influenced by the wide representation on the Committee, the Local Pension Board and the officers managing the Fund.

1.3 The overarching objective of the Fund is to ensure that the Fund can meet all member benefits as the fall due. The Fund therefore aims for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

1.4 The Fund’s Mission Statement is:

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

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

Principle 1

Purpose and Governance

1.5 The Fund's responsible investment beliefs are set out in its [Investment Strategy Statement \(ISS\)](#) which was formally approved by the Fund's Committee following consultation with key stakeholders. To ensure that the Fund continues to invest in the way its stewards have agreed, within the ISS they have determined a set of beliefs which will guide their decision making. These beliefs are set out below:

- The Fund's fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues create risk and opportunity 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, and because of this, it seeks to deliver long-term sustainable returns.
- The Fund integrates ESG issues at all stages of the Fund's investment decision making process.

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 make selective investments to support this aim.

Principle 1

Purpose and Governance

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

1.7 In 2019 the Fund undertook a review of its Responsible Investment Policy in conjunction with the overall review of the Strategic Asset Allocation. The target for this review was to re-affirm the Fund's existing beliefs, supplement these with additional views if appropriate and consider ways in which these views could be implemented.

1.8 As a result of this review the Fund's long standing Responsible Investment (RI) Policy was updated to reflect current attitudes and thinking. In addition to help formally frame the policies, the Fund has set a number of high level beliefs that will sit over the more detailed policies, and will convey the Fund's overarching attitude to being a Responsible Investor.

1.9 This revised Policy will support the Fund's specific RI aims along with the funding and investments specific objectives which are as follows:

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

Principle 1

Purpose and Governance

1.10 The Fund's objectives are set out in its [Investment Strategy Statement \(ISS\)](#). The specific objectives relating to the funding and investment management of the Fund are summarised below.

- Achieve and maintain assets equal to 100% of liabilities within the 13-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

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

Principle 1

Purpose and Governance

1.11 Flintshire County Council delegates its decision making to the Clwyd Pension Fund Committee who meet five times a year to discuss all Fund related matters including make Funding, Investment and Administration decisions, as well as insuring there are robust risk management arrangements in place. The Committee is made up of five Councillors of Flintshire County Council and Four co-opted members who are representatives of the Fund's employers and scheme members . Each member has equal voting rights. All members have a fixed tenure, which is driven by local authority elections for the elected councillor members. However, subject to meeting the criteria for their roles, existing members can be reappointed. All Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.

1.12 The Fund is now committed to reviewing its compliance against the UK Stewardship Code. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with Local Authority Pension Fund Forum (LAPFF).

1.13 As part of the Government's investment reform, the Fund has participated in the development of the WPP to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities are the responsibility of WPP. The Clwyd Pension Fund is committed to pooling its investments with WPP, and acknowledges that this presents challenges, and also significant opportunities to enhance the Fund's approach to RI. The Fund has proactively engaged with WPP in setting WPP's RI policy and objectives, and is confident that they will enable it to implement its own policies. The Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

1.14 The approach taken by the Fund, in line with the above beliefs, has been effective in producing above benchmark returns, improving the funding level, and addressing ESG concerns in a way that leaves the Fund in a strong position as it works to develop more specific ESG policies into 2022/23 and beyond.

- The Fund's assets increased in value by c.13% in the year ending 31 March 2022 against a strategic benchmark (CPI +3.4% p.a.) of 5.5%. Over the three-year period against the Fund returned 9.9% p.a. against a strategic benchmark of 5.5% p.a..
- The estimated funding level of the Fund as at 31 March 2022 was c.101%, improved from c.91% as at 31 March 2019.
- The Fund has an allocation to Local / Impact strategies within the private markets mandate, which over the one year period to 31 March 2022 returned 40.3%.

Principle 2

Signatories' governance, resources and incentives support stewardship.

REPORTING EXPECTATIONS

Activity

Signatories should explain how:

• their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach;

• they have appropriately resourced stewardship activities, including:

- their chosen organisational and workforce structures;
- their seniority, experience, qualifications, training and diversity;
- their investment in systems, processes, research and analysis;
- the extent to which service providers were used and the services they provided; and

- performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making.

Outcome

Signatories should disclose:

- how effective their chosen governance structures and processes have been in supporting stewardship; and
- how they may be improved.



Principle 2

Purpose and Governance

“Signatories’ governance, resources and incentives support stewardship”

2.1 Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund), for the benefit of employees and former employees of Flintshire County Council, two other local authorities (Wrexham and Denbighshire) and fifty two (52) other large and small employers in North East Wales.

2.2 The main activities involved in managing the Fund are to make and manage investments and 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 and various other legislative requirements, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

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

2.4 The 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.

2.5 To help ensure that the governance framework is robust, the Council recognises the emphasis placed upon corporate governance by the Welsh Government and has developed a Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation 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.

2.6 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 ensuring efficient and effective governance and administration.

Principle 2

Purpose and Governance

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

2.8 The Fund is governed by the Clwyd Pension Fund 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 Pensions 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 Chief Finance Officer, who is a member of the Advisory Panel, must ensure the proper financial management of the Fund in accordance with Section 151 of the Local Government Act 1972.

2.9 There are strict rules around the governance of the Fund as set out by legislation that applies to all LGPS funds; the Fund reports in detail on how it adheres to those rules every year in the Annual Report, as well as publishing all Fund governance policies which are available on the Fund's website at the following link: [Clwyd Pension Fund Policies](#)

2.10 The Fund has a Knowledge and Skills Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including:

- A series of induction sessions for new Pension Fund Committee and Pension Board Members
- In-house training sessions by officers and advisers, sometimes as part of Committee meetings
- Conference, seminars and other externally organised training sessions/ events. The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board may receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.

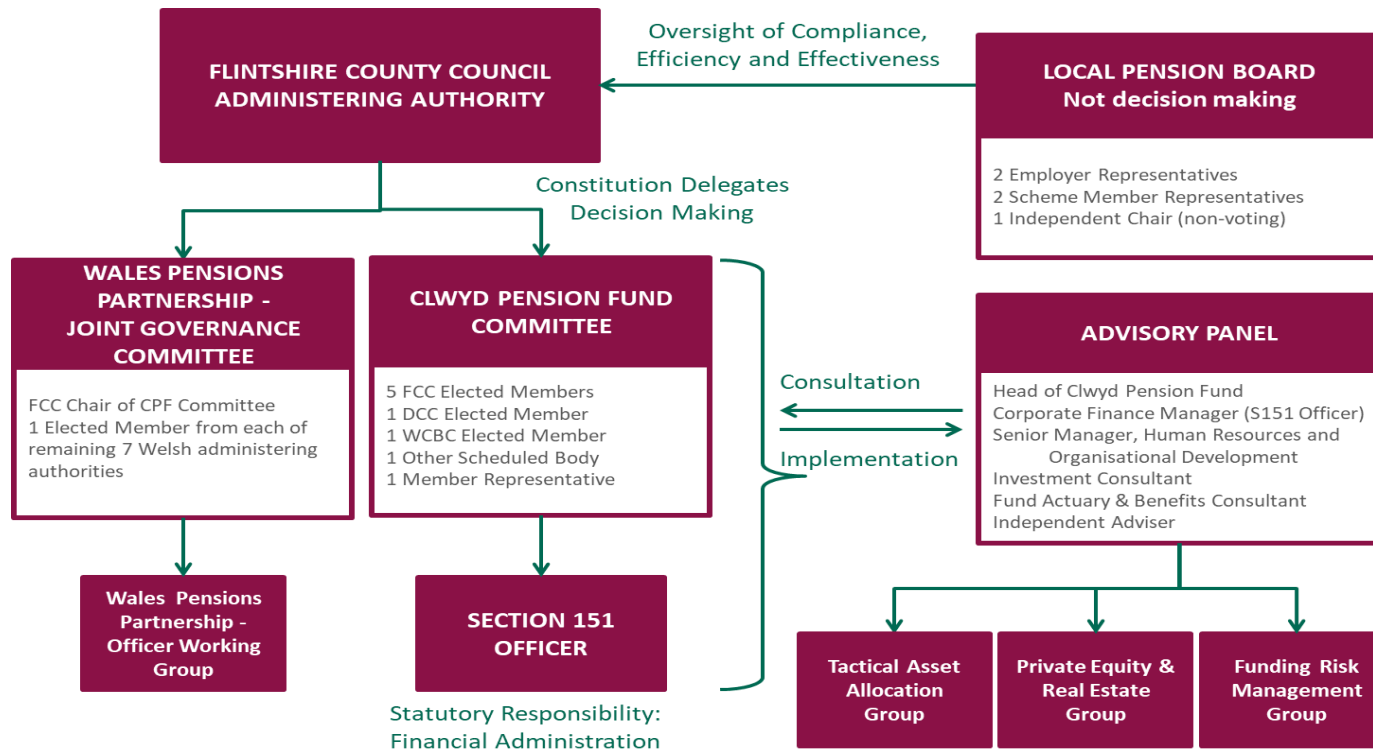
The Knowledge and Skills Policy is aligned to meet CIPFA's Code and also MiFID II requirements, and has a range of objectives and targets covering induction, essential training and general awareness that are reported at each Committee, a training needs assessment is carried out at least every two years.

Principle 2

Purpose and Governance

2.11 The below diagram outlines the governance structure for pension fund matters, with each section of the governance structure explained further down in more detail:

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Principle 2

Purpose and Governance

2.12 Clwyd Pension Fund Officers

The key officers responsible for investment matters of the Clwyd Pension Fund currently include:

- Philip Latham – Head of Clwyd Pension Fund
- Debbie Fielder – Deputy Head of Clwyd Pension Fund
- Ieuan Hughes – Graduate Trainee Investment Officer

The Fund have hired Ieuan Hughes into the team, with the view of training him up in all areas to help support the longevity of knowledge and skills within the Fund and ensuring continuity going forward.

Officers of the Fund use their knowledge and experience with the help of their advisors to recommend policy and strategy to the Pension Committee. Officers help arrange training for the Committee in all subject matters including but not limited to: Investments, Responsible Investment, Risk Management, Governance. In doing so, this ensures that the Committee have the appropriate knowledge and skills to make informed decisions on all matters related to the Fund.

Officers work in collaboration with the WPP on all pooling matters and are therefore closely involved in decision making in areas such as creation of new sub-funds, voting and engagement and monitoring of existing pooled managers. WPP also provide training sessions, much of which is open to all Pension Fund Committee and Board members.

The Fund officers have limited resource to conduct stewardship in house, as a result the Fund is reliant on WPP to engage on its behalf. This responsibility is then further delegated to Robeco who are appointed to engage on behalf of WPP. Fund officers sit on the WPP RI sub group to review engagement activities conducted on the Fund's behalf. Fund officers engage regularly with the private market managers to understand the latest positions of these funds, their implementation of key objectives and any future plans. The Fund's membership of LAPFF ensures that the Fund is encouraging engagement with companies that the Fund potentially doesn't own, further enhancing the stewardship of the wider financial system.

Principle 2

Purpose and Governance

2.13 Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members on the Clwyd Pension Fund Committee are not trustees of the Fund, however, they do have a 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 and they could be more accurately described as 'quasi trustees' responsibilities.

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 Pension Fund Committee, ensuring a clear separation of responsibility between the employer and the "quasi trustee" responsibilities.

The Pension Fund Committee meets at least quarterly and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.
- Four co-opted members comprising:
 - One Councillor of Wrexham County Borough Council, determined by that Council.
 - One Councillor of Denbighshire County Council, determined by that Council.
 - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund.
 - One Representative of the scheme members of the Clwyd Pension Fund

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. Councillors of Flintshire County Council are appointed annually. Otherwise, the terms of reference for the members range from four to six years. Members may be reappointed for further terms.

All members have equal voting rights.

Principle 2

Purpose and Governance

2.14 Section 151 Officer – Corporate Finance Manager

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council. The Section 151 officer is CIPFA qualified and is suitably experienced to lead the finance function.

2.15 Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee. Its membership consists of:

- The Chief Executive of Flintshire County Council (currently being changed to the Senior Manager – Human Resources and Organisational Development)
- The Chief Finance Officer of Flintshire County Council
- The Head of Clwyd Pension Fund
- Investment Consultant - Mercer
- Fund Actuary - Mercer
- Independent Adviser - Aon

Principle 2

Purpose and Governance

2.16 Wales Pension Partnership Joint Governance Committee (1/2)

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered into an Inter Authority Agreement to pool pension fund assets, a key part of which is done by appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found [here](#).

As part of this pooling arrangement, the authorities have also established a Joint Governance Committee with a number of responsibilities including the following:

- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Flintshire County Council has determined that the Clwyd Pension Fund representative on the Joint Governance Committee will be the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair will act as the Deputy.

The Pension Fund Committee will determine which officers of Clwyd Pension Fund will represent the Fund on the Officer Working Group. Currently the Head of Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund are both members of the Officer Working Group.

Principle 2

Purpose and Governance

2.16 Wales Pension Partnership Joint Governance Committee (2/2)

The Joint Governance Committee meets at least four times each year and is composed of one elected member from each Administering Authority responsible for maintaining an LGPS Pension Fund in Wales. These are:

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council.

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council in relation to the Wales Pension Partnership Inter Authority Agreement. This role includes the following in relation to the management of the pooling arrangements:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator

Principle 2

Purpose and Governance

2.17 Wales Pension Partnership Officer Working Group

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

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

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement.

2.18 Pension Board

Each LGPS Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees as they are a requirement of the Public Service Pensions Act 2013, which provides an additional element of independence overseeing the management of the Fund. As such the Constitution of Flintshire County Council does not apply to the Pension Board unless it is expressly referred to in the Board's Protocol. The Clwyd Pension Board was established by Flintshire County Council in March 2015 and the full Protocol of the Board can be found within the Council's Constitution. The key points are summarised overleaf.

Principle 2

Purpose and Governance

2.18 Pension Board (continued)

- The Pension Board provides oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Fund Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the Pension Fund Committee.
- The Pension Board consists of five members as follows:
 - Two Employer Representatives
 - Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
 - One Independent Member who acts as chair of the Pension Board.
- All Pension Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.
- A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.
- Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.
- The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

REPORTING EXPECTATIONS

Context

Signatories should disclose their conflicts policy and how this has been applied to stewardship.

Activity

Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts.

Conflicts may arise as a result of:

- ownership structure;
- business relationships between asset owners and asset managers, and/or the assets they manage;
- differences between the stewardship policies of managers and their clients;
- cross-directorships;
- bond and equity managers' objectives; and
- client or beneficiary interests diverging from each other.



Principle 3

Purpose and Governance

“Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first”

3.1 Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

3.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

3.3 Although there is no legal requirement to produce a Conflicts of Interest Policy, the Fund recognises that potential conflicts can arise and therefore still carry out this practice. Clwyd Pension Fund’s Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

3.4 The Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to the Pension Fund Management Team and other senior officers involved with the management of the Fund. The Policy delegates the overall responsibility for implementing its requirements to the Head of Clwyd Pension Fund. The Head of the Clwyd Pension Fund will also monitor potential conflicts for all officers involved in the daily management of the Pension Fund and highlight this Policy to them as they consider appropriate.

Principle 3

Purpose and Governance

3.5 The Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

3.6 The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers.

3.7 The Policy can be found on the Fund's website – <https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

3.8 In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee has agreed a Conflicts of Interest Policy which applies to those involved in the Wales Pension Partnership, including the Joint Governance Committee members (which includes the Chair of the Clwyd Pension Fund Committee).

3.9 The Fund's Policy includes procedures (set out overleaf) which must be followed by all individuals to whom this policy applies. **However, it should be noted all members of the Pension Fund Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members' Code of Conduct** relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council's Code of Conduct.

3.10 Clwyd Pension Fund officers are employees of the council and are subject to normal pay arrangements. Officers do not receive any performance related pay, or incentivisation for investing with investment managers or specific asset classes. The Head of Clwyd Pension Fund and the other officers are also only responsible for the Pension Fund and do not have any other further council responsibilities within their roles.

3.11 There have not been any specific conflicts of interest related to stewardship identified. The Fund reviews its underlying providers approach to managing potential conflicts of interest with respect to stewardship activities.

Principle 3

Purpose and Governance

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	<p>At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Head of Clwyd Pension Fund to the Chair of every meeting prior to that meeting if required.</p> <p>At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chair and the Head of the Clwyd Pension Fund prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Head of the Clwyd Pension Fund, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Head of the Clwyd Pension Fund and where it relates to the business of any meeting, also to the Chair of that meeting. The Head of the Clwyd Pension Fund, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Head of the Clwyd Pension Fund may seek such professional advice as they think fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.</p>
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Head of the Clwyd Pension Fund will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s), as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;
- the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and
- how they have aligned their investments accordingly.

Outcome

Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to:

- changes in interest rates;
- geopolitical issues; and
- currency rates.

Systemic risks are those that may lead to the collapse of an industry, financial market or economy and include but are not limited to:

- climate change; and
- the failure of a business or group of businesses.

Stakeholders may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics.



Principle 4

Purpose and Governance

“Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system”

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

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

4.3 The Fund’s overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing the Fund’s long-term strategic asset allocation, or strategic benchmark, the key factors are the overall level of return being sought, the minimum level of risk consistent with this and the impact of diversification in reducing this risk further. At asset class or mandate level, asset class weightings, appropriate benchmarks and out-performance targets are the key building blocks in framing this overall Fund strategy. Clwyd Pension Fund acknowledges that good stewardship involves good risk management and has produced a Risk Management Policy and Risk Register.

4.4 The Risk Management Policy clearly sets out how the Fund identifies, manages and monitors all risks that it faces. The policy also sets out its objectives which are:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including 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

Principle 4

Purpose and Governance

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

4.6 To enable the Clwyd Pension Fund to manage risk and achieve its objectives, the fund aims to comply with:

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

4.7 The Risk Register is presented to the Pensions Committee at least twice a year. The Fund's officers and advisors along with the Committee discuss the risks that the Fund faces and how these risks will be managed. There are currently nine risk categories within the register they are:

- Employer contributions are unaffordable and/or unstable
- Funding level reduces, increasing deficit / reducing surplus
- Investment targets are not achieved therefore materially reducing solvency / increasing contributions
- Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions
- Value of liabilities/contributions change due to demographics being out of line with assumptions
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient cash or liquid assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits
- The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.

Principle 4

Purpose and Governance

4.8 The Fund's ISS also addresses other relevant risks such as solvency and matchmaking risk, manager risk, liquidity risk, political risk, corporate governance risk, legislative risk, market risk (currency risk, interest rate risk and inflation risk). Ultimately the Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.

4.9 In 2014, the Fund set up the Cash & Risk Management Framework. This framework includes:

- Funding level monitoring
- Liability Hedging
- Synthetic Equity Portfolio
- Currency hedging
- Collateral management strategy

Funding Level Monitoring

The approximate funding level is monitored daily and reported formally to the Funding and Risk Management Group on a monthly basis. Should the approximate daily monitoring indicate that the 110% trigger has been reached, an agreed process will be followed (as outlined in the "Delegation of Functions to Officers by the Pension Fund Committee") to formally confirm whether the trigger has been met and whether any changes to the strategy should be made.

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

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

As part of the 31 March 2019 actuarial valuation and investment strategy review cycle, the officers and Fund's actuarial and investment consultants reviewed the flightpath and no changes were made to the interest rate and inflation triggers.

Principle 4

Purpose and Governance

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

The Fund implemented a synthetic equity strategy in order to increase its expected return potential in a capital efficient manner. In order to manage the downside risks associated with the synthetic equity strategy, a static equity protection strategy was put in place, protecting against equity market falls on the equity exposure. This was in place from April 2017 until May 2018.

In May 2018, a new dynamic protection strategy was put in place. This provides improved flexibility and on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions.

Currency hedging strategy

In August 2019, the Fund implemented a currency hedging strategy to reduce the risk of a strengthening pound devaluing the value of the Fund's physical overseas equity holdings. This was in light of the continued weakening of sterling. As holders of overseas assets, the Fund had benefitted significantly from the fall in sterling following the EU referendum and wished to reduce currency risk by locking in a portion of the gains made.

Collateral management strategy

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

In order to manage this balance, the Fund implemented a collateral management strategy. This ensures that the Fund holds the required amount of collateral to support the strategies, with any excess collateral held in higher yielding funds that can be sold quickly if more collateral is required. This helps generate additional return and reduces the governance burden on the Fund, leading to improved efficiency.

Principle 4

Purpose and Governance

4.10 The Fund acknowledges that climate change presents a systemic financial risk that must be addressed, and in 2019 the Fund started a review of its responsible investment policy. The revised policy set out the below Responsible Investment Principles:

- Evaluate and manage carbon exposure
- Identify sustainable investment opportunities
- Improve public disclosure and reporting
- Active engagement on ESG risks
- FRC Stewardship Code

4.11 More recently the Fund updated its ISS in February 2022 in which the below responsible objectives were outlined:

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

4.12 ISS guidance given by the Secretary of State states that administering authorities should become signatories to the Code, and states how they implement the principles on a "comply or explain" basis. In practice the Fund continues to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the LAPFF. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

Principle 4

Purpose and Governance

4.13 The Fund has continued to engage throughout the last financial year with local authority colleagues, regulators, and industry bodies as part of its wider commitment to improving the functioning of financial markets, including continuing its ongoing membership of the LAPFF and the Pensions and Lifetime Savings Association (PLSA). 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.

4.14 The Fund has actively engaged and participated in initiatives with the LAPFF through its membership. The Fund was the second member to join the LAPFF in Wales, becoming a member in the early 'noughties'.

4.15 The Fund has been actively involved in the development of a new sub-fund with WPP which is on course to be launched later in 2022, further information can be found in Principle 10.1.

Timeline 2024

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have reviewed their policies to ensure they enable effective stewardship;
- what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- how they have ensured their stewardship reporting is fair, balanced and understandable.

Outcome

Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Internal assurance may be given by senior staff, a designated body, board, committee, or internal audit and external assurance by an independent third party.



Principle 5

Purpose and Governance

“Signatories review their policies, assure their processes and assess the effectiveness of their activities”

5.1 The Fund’s procedures and policies are regularly reviewed by the Fund’s officers, Pension Fund Committee, Pension Fund Advisory Panel and in some situations, by the Pension Board. These reviews are part of the activities that the Committee undertake to provide the Fund with good stewardship. The ISS and Funding Strategy Statement (FSS) are formally approved by the Pensions Committee, and are reviewed at a minimum of every three years, which aligns with Fund’s triennial actuarial valuation, however these can be reviewed more frequently than this. The review of the ISS and FSS aims to identify and implement any process improvements to reflect emerging / developing initiatives in the industry or required statutory changes. The review of these policies may result in further policies and procedures to be drafted. The Fund’s latest policies are available on the Fund website at the following link: [Clwyd Pension Fund Policies](#)

5.2 The Fund is committed to reviewing its compliance against the latest Financial Reporting Council (FRC) Stewardship Code. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

5.3 As a Fund, there are several ways in which assurance is sought in relation to the Fund’s stewardship, for example:

- The Fund’s Annual Report and Financial Statements are externally audited; the most recently audited accounts for March 2021 received an unqualified audit opinion, representing a “true and fair view” of the Fund’s financial transactions to have taken place during the year and the year-end balance of assets and liabilities.
- The Fund commissions external governance reviews to gain assurance on its policies and procedures in place that relate to the administration and governance of the Fund. The most recent review was completed in 2021/22 which resulted in an action plan to address and improve areas of non or partial compliance to the Pension Regulator’s Code of Practice. 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 stewardship processes.
- When contracts are due for renewal the Fund follows the stringent procurement policies of Flintshire Council as set out in Flintshire's Contract Standing Orders, which includes a policy on responsible procurement to ensure that all high value procurements focus on delivering value for money and achieving additional economic, social and environmental benefits.

Principle 5

Purpose and Governance

5.4 The WPP has appointed Hymans Robertson as Oversight Advisors. Their role spans oversight and advice on governance arrangements, operator services, strategic investments aspects and project management support. One of the ongoing roles of the Oversight Adviser will be to assess the management of the Sub-Funds and test the processes that are being employed, as outlined above.

5.5 The RI Sub Group has worked to develop reporting on the ESG and climate risk characteristics of Sub-Funds and intends to cascade this information down to Constituent Authorities. This reporting is being prepared independently of the reporting provided by the investment manager, serving to verify the information that is otherwise made available. Robeco also provide quarterly reporting on Voting and Engagement activity which has been shared with Constituent Authorities.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

REPORTING EXPECTATIONS

Context

Signatories should disclose:

- the approximate breakdown of:
 - the scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc;
 - the size and profile of their membership, including number of members in the scheme and the average age of members;
- OR
 - their client base, for example, institutional versus retail, and geographic distribution;
 - assets under management across asset classes and geographies;
- the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

Activity

Signatories should explain:

- how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;
- OR
 - how they have sought and received clients' views and the reason for their chosen approach;
- how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;
- OR
 - how assets have been managed in alignment with clients' stewardship and investment policies;
- what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication;
- OR
 - what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.

Outcome

Signatories should explain:

- how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;
- how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result;
- OR
 - how they have taken account of the views of clients and what actions they have taken as a result;
- where their managers have not followed their stewardship and investment policies, and the reason for this;
- OR
 - where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.



Principle 6

Investment Approach

“Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them”

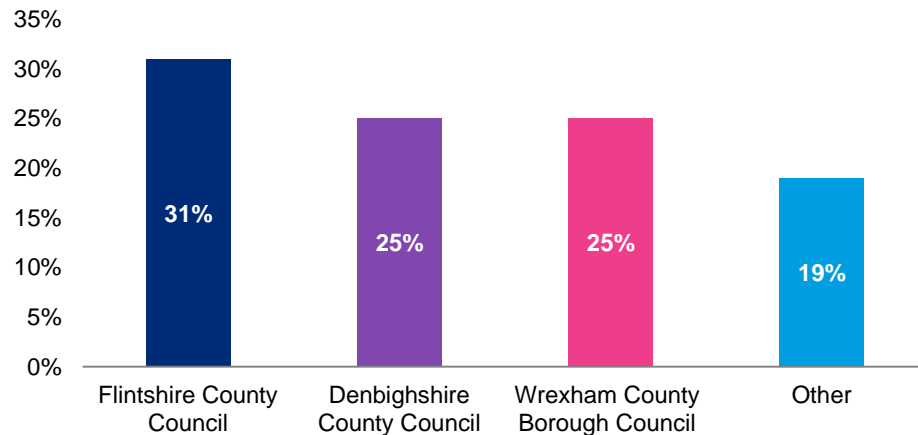
6.1 The Clwyd Pension Fund is part of the Local Government Pension Scheme, a statutory public service scheme providing defined benefits to its members based on their earnings and length of service, and is administered by the Flintshire County Council on behalf of all employers in the Fund. Benefits are funded by member contributions and investment returns and are guaranteed by statute.

6.2 Membership of the LGPS is open to all public sector employers providing some form of service to the local community and, whilst most members will be local authority employees (and ex-employees), other employers can also join the scheme where they are providing services in place of (or alongside) local authority services, such as academy schools, contractors, housing associations and charities.

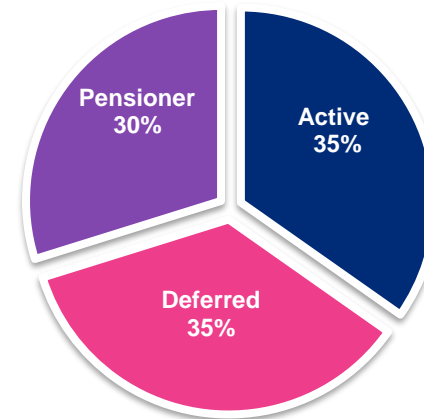
6.3 As at 31 March 2022, there were 48,958 members. The three unitary authorities are the largest employers representing 81% of the overall membership at the last valuation date. Membership by category and by employer is shown in the charts below:

Financial year ending 31 March 2022

Membership by Employer



Member Category Splits



Principle 6

Investment Approach

6.4 As at 31 March 2022, the Fund's strategic allocation along with invested were set out as below:

Asset Class	31 March 2022 (£m)	31 March 2022 (%)	Strategic Allocation (%)
Global Equity*	263.4	10.6	10.0
Emerging Market Equity	220.8	8.9	10.0
Multi-Asset Credit	246.0	9.9	12.0
Hedge Funds	158.0	6.4	7.0
Tactical Allocation Portfolio	273.1	11.1	11.0
Total Private Markets	615.9	24.8	27.0
Property	146.3	5.9	4.0
Private Equity	200.2	8.1	8.0
Local/ Impact	77.9	3.1	4.0
Infrastructure	124.7	5.0	8.0
Private Debt	52.6	2.1	3.0
Timber/ Agriculture	14.1	0.6	0.0
Cash and Risk Management Framework	626.3	25.5	23.0
Trustee Bank Account	79.6	3.2	0.0
Total Clwyd Pension Fund	2,483.1	100	

Source: Investment Managers.

*Includes 5% allocation to Sustainable Equity. More information on section 6.6.

Principle 6

Investment Approach

6.5 The Fund has always been committed to making responsible decisions and acting in a responsible manner. In 2012, the Fund were engaged with managers on matters pertaining to ESG by sending out surveys to all the private market managers on such matters. In 2017, the Fund had a sustainability policy in place which was well before any formal requirement for such. The Fund at the time supported investments with strong sustainability / impact focus and increased its allocation to infrastructure from 4% to 8%, with a clean energy emphasis. The Fund also wrote to all private equity and real asset managers to determine how aligned the current investments were to the United Nations' Sustainable Development Goals (UNSDG).

6.6 Within the Fund's allocation to Global Equity there is an underlying 5% strategic allocation commitment to sustainable equity to support the Responsible Investment Policy. This allocated is currently invested in the BlackRock World ESG Equity Fund.

6.7 Clwyd have a strategic target to allocate 4% of their total portfolio to Local/Impact investments within private markets. Outside of this specific Local/Impact bucket, Clwyd also endeavour to make impact-focused allocations within their other private markets asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible, subject to the availability of investable opportunities in the market.

When making private markets commitments, the Fund receives a Research Report from Mercer on all potential commitments. In these reports, each fund is given an ESG score and there is a section of the report dedicated to ESG. Clwyd takes these ESG scores into account when deciding whether or not to commit to a particular private markets manager.

Example of the type of local investments being made by the Fund

The Fund recently established a Separately Managed Account ("SMA") with Capital Dynamics which will invest in Welsh renewable energy projects. The SMA is expected to invest in late stage development, construction ready greenfield and brownfield operational assets. The investments made by the SMA are expected to assist in the achievement of Wales' National Development Framework National Plan 2040 and the UK's goal of achieving net zero emissions by 2050.

Principle 6

Investment Approach

6.8 The Fund takes a long-term view with regards its investment and funding strategies, given the long-term nature of the payments due to beneficiaries over multiple decades. The Fund's primary investment objective therefore is to achieve sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives. This means that the Fund inherently takes a long term view to investing in order to align its investments with its long term liabilities.

6.9 The Fund does not explicitly consult member views when making decisions in relation to the selection, retention and realisation of investments. The Fund has considered seeking member views in the past however due to the number of members of the Fund and the experience of other LGPS funds who have sought member views with limited responses it has been decided that seeking member views is not appropriate at this time. Additionally the governance structure of the Fund allows member views to be raised through various channels.

6.10 The Fund's Communication Strategy can be found here: <https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>. The aim of this Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme.

6.11 Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

6.12 The Local Pensions Board found that 60 people were viewing the website in "Welsh" and have therefore added an option to view the communication strategy in "Welsh". Members have subsequently been made aware of this option.

6.13 The Fund's Committee members have recently completed a Pensions Board Effectiveness survey regarding the Board's effectiveness of its governance. The Fund are awaiting the results.

Principle 6

Investment Approach

6.14 The Fund's overriding objective in relation to communications are to:

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

In relation to member communications, the Fund want the engagement activities to be to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.
- Maintain and build positive member experiences along every member's journey, wherever they are on their journey.
- Reduce the need for face-to-face meetings and phone calls.

In relation to employer communications, the Fund want the engagement activities to be to:

- Increase awareness and understanding of the information required by the Fund from employers.
- Encourage employers to take ownership of the data and help their employees understand the broader benefits of the pension scheme.
- Maintain and build positive relationships with employers regardless of size or pensions expertise.
- Make the management of the Fund more efficient for both the Fund and employers.

Principle 6

Investment Approach

6.15 The Fund communicates with its members via several methods, including, but not limited to the below, the Fund's website and Annual reports are the two main communication channels for updating members on the Fund's stewardship and investment activities:

Communication Method	Description
Website	The Fund's website (http://www.cronfabensiynaclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English)) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained on the national LGPS website at https://www.lgpsmember.org . Clwyd Pension Fund's website has to adhere to national standards regarding accessibility to the website and how the content is structured.
Member Self Service (MSS)	Member Self Service is available to the Fund's scheme members. It allows members to log into a secure web area to view information held on their Fund record. Some of the facilities available to members include: ability to update their own personal details, update death grant expressions of wish, calculate retirement estimates and review Annual Benefit Statements online. Electronic communications are issued directly to scheme members via the Member Self Service facility; these are generally via an email alert directing the member to log into their Member Self Service to view the relevant information.
Annual Benefit Statement	These statements are distributed annually to all active and deferred scheme members. These statements are issued to members' via their Member Self Service accounts and are downloadable from there. Paper statements are only issued to home addresses by member request.
Generic Newsletters	The Fund issues a periodic newsletter called Penpal to contributing members, bringing to their attention information such as changes to scheme rules, and including important Facts & Figures from the Annual Report. This is issued once a year. The Fund also sends a newsletter once per year to its pensioners entitled Clwyd Catch Up. This is usually sent with the annual pensions increase notification and explains how their new annual rate of pension has been calculated. It also includes topical information such as relating to the budget and State benefits.
Annual Report	The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment principles, funding strategy, risk, governance, audit and administration. It is available on the Fund's website.

Principle 6

Investment Approach

6.16 To achieve the communications objectives as set out on the previous page the Fund has launched several initiatives and highlighted the key tasks it will undertake as part of these initiatives as shown below and the following page:

The Initiative	The Task
<p>Improve member experience and enhance self-service</p> <ul style="list-style-type: none">• Agree communications strategy.• Provide access to information to enhance self-service for members.	<ul style="list-style-type: none">• Finalise statement of engagement principles.• Improve member understanding.• Track emails and calls to Administration team - possible introduction of telephone IVR (Interactive voice recognition).• Adopt Pathfinder approach for MSS to help improve member self-service and reduce 121's.
<p>Identify smart ways of working on the communications</p> <p>Understand which communication projects are labour intensive and what causes the disproportionate effort. Start with a blank canvas and question why things are done</p> <ul style="list-style-type: none">• the way they are.• Understand what members want communication on and how	<ul style="list-style-type: none">• Review of hours spent on each communication project.• Identify ways to reduce effort producing communications.• Consider shorter more frequent communications to promote self-service.• Consider feedback mechanisms to respond to member views (annual member-specific survey/listening).• Gather informal member feedback – specifically when any communication is sent out.
<p>Simplify language, communicate more concisely</p> <ul style="list-style-type: none">• Mindful of the fact that everything has to be written and designed twice.• Recognise that the words we choose are important.• Keep content items short and use clear, plain language that is easy to understand.	<ul style="list-style-type: none">• Plain language review of all communications.• Simplify language, Jargon busting and language review.• Reduce reading age and improve reading ease on the Flesch-Kincaid scale.

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Principle 6

Investment Approach

6.16 (continued):

The Initiative	The Task
<p>Refresh visual identity</p> <ul style="list-style-type: none">• Keep brand consistent with Clwyd look and feel and ensure all communications are consistently in line. <p>Use visuals and infographics to help members visualise messaging more clearly.</p>	<ul style="list-style-type: none">• Review and refresh Clwyd pension branding.• Refresh brand guidelines and style guides.• Review format of communications to consider shorter, more impactful formats.
<p>Broaden delivery channels to members</p> <p>Review all delivery channels to members, and look to extend use of MSS and digital communications including video, recognising the ways members consume information are changing.</p>	<ul style="list-style-type: none">• Incorporate all channels of delivery into a holistic communications plan.• Consider tools available to broaden delivery channels (e.g. podcasts and videos)• Monitor video and podcast usage.
<p>Develop a segmented approach to engagement</p> <ul style="list-style-type: none">• Embrace the variation of the membership 'journey' and adopt an approach that recognises and supports this by delivering different key messages for different segments/age groups because one size does not fit all.	<ul style="list-style-type: none">• Review suitable categories for segmentation of messaging (i.e. age-based communication), particularly around the 4 key stages of pensions communications.• Use a segmented approach for relevant communications and monitor changed behaviours.• Discuss topics that engage a range of member demographics, e.g. 'Can you afford not to be in the Fund?'• Feature warm-up stories in pension newsletters, and in Fund's regular communications channels.• Visual roadmap of moments of truth on the way to retirement.

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Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

REPORTING EXPECTATIONS

Context

Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

Activity

Signatories should explain:

- how integration of stewardship and investment has differed for funds, asset classes and geographies;
- how they have ensured:
 - tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and
 - the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;

OR

- the processes they have used to:
 - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and
 - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Outcome

Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.



Principle 7

Investment approach

“Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities”

7.1 The Clwyd Pension Fund acknowledges that ESG risks (including climate change) present risks to the overall stability of the economy and country, with the potential to impact the members, employers and holdings of the portfolio. Although it is not a legal or fiduciary duty of the fund to consider the impacts of climate change, consideration of these risks is crucial for the Fund to be a sustainable long term investor. As well as creating risks ESG can presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

7.2 The Fund’s Pension Committee believes that ESG (including climate change) risks should be considered on an ongoing basis as a priority and that management of those risks is consistent with the Committee’s fiduciary duty as set out in its investment beliefs. ESG considerations are an integral part of the Fund’s strategy as a long-term investor and will be considered as part of the Fund’s Triannual strategy review which will take place in 2022/2023.

7.3 The 2019 Responsible Investment Policy will support the Fund’s specific RI aims with the funding and investments specific objectives:

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

Principle 7

Investment approach

7.4 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 Clwyd Pension Fund 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 an ambitious 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:

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 all assets by the end of 2023.

Within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030
- to target at least 30% of the Listed Equity portfolio to be invested in sustainable assets by 2030
- to reduce fossil fuel exposure relating to oil and gas by 70% by 2025 and 90% by 2030
- to reduce fossil fuel exposure relating to coal by 90% by 2025 and 95% 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 organisations 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 organisations 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.

Principle 7

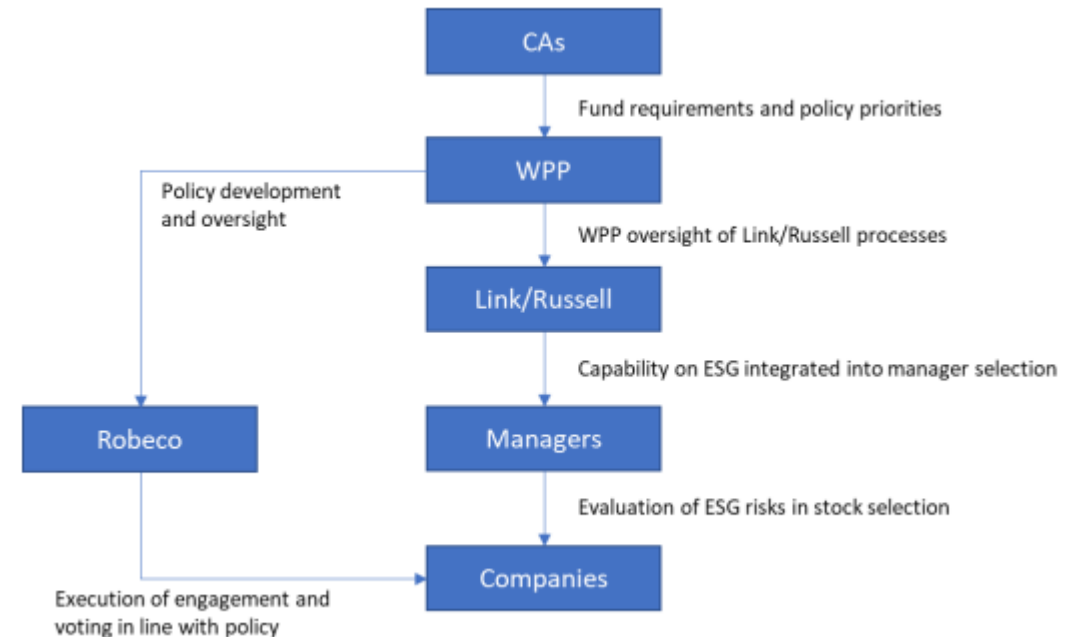
Investment approach

7.5 The Fund is invested in a wide range of asset classes with different investment managers, but is predominantly moving towards assets that are pooled within the Wales Pension Partnership. WPP currently manage all of the Fund’s active and passive equity strategies as well as the Fund’s credit strategy.

WPP has partnered with Link, Russell for the implementation of its sub-funds for which Clwyd Pension Fund invest. WPP has also partnered with Robeco for policy development oversight and execution of engagement and voting in within with the agreed policies. WPP are responsible for the development of appropriate funds and policies and the continued oversight of its partners as demonstrated below.

The Fund has worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds.

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



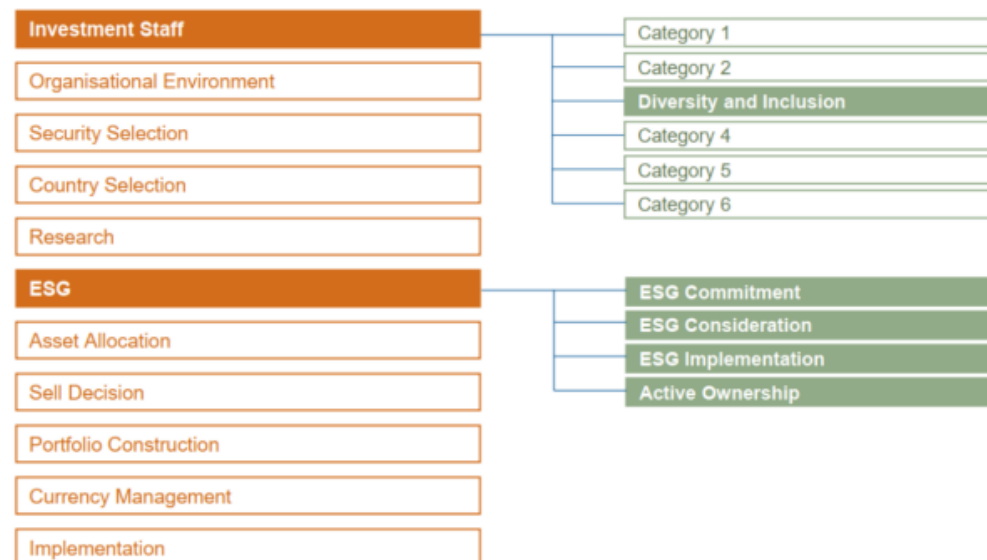
Principle 7

Investment approach

7.7 The Fund has worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds. A recent example of this was in the creation of the WPP Sustainable Equity Fund, which is due to be launched later in the year. The Fund collaborated with other WPP partner funds, as well as WPP and Russell in designing a detailed specification for the Fund.

7.8 The Fund and WPP expect that all investment managers employed within WPP properly consider climate change and other ESG risks in their decision making process. This is also considered by Russell as part of their evaluation of investment managers during the fund structure design and on an ongoing basis through annual reports to WPP. An illustrative example of how these considerations are factored into initial and ongoing evaluation of underlying managers is shown in the illustrative framework and more information can be found in [WPP's Stewardship Code](#) submission document.

Illustration of Russell evaluation framework



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Principle 8

Signatories monitor and hold to account managers and/or service providers.

REPORTING EXPECTATIONS

Activity

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Outcome

Signatories should explain:

- how the services have been delivered to meet their needs;
- OR
- the action they have taken where signatories' expectations of their managers and/or service providers have not been met.

For example:

- asset owners monitoring asset managers and investment consultants to ensure that assets have been managed in alignment with their investment and stewardship strategy and policies; or
- asset managers monitoring proxy advisors to ensure, as far as can reasonably be achieved, that voting has been executed according with the manager's policies; and
- asset managers monitoring data and research providers to ensure the quality and accuracy of their products and services.



Principle 8

Investment approach

“Signatories monitor and hold to account managers and/or service providers”

8.1 Clwyd Pension Fund actively monitor all underlying managers and service providers to ensure that they are delivering the services as expected. The Fund believe this is an effective way of monitoring all parties and is necessary in promoting good stewardship practises. Monitoring is measured through a number of methods explained below.

8.2 The Fund monitors its underlying managers through regular catch-ups either in person or virtual and also through the Wales Pension Partnership.

8.3 The Fund monitor its investment consultant, Mercer, through regular monthly investment day meetings. Mercer provide quarterly performance reports which summarise individual manager performance and total Scheme performance against their respective benchmarks. Mercer also provide fund and ESG score ratings where available to each of the strategies within the portfolio, (including new private market mandates) and provide the latest manager research available covering items such as manager updates, business updates or general information. In addition, Mercer also provide economic reports which summarise the latest market information. In conjunction with the Tactical Asset Allocation (TAA) portfolio, Mercer provide a monthly report covering the latest position. These reports support the regular monthly investment day meetings where officers discuss the latest position and take active decisions on the portfolio. Where Mercer and/ or officers of the Fund have concern over any of the underlying managers, these managers are investigated and if the outlook does not look positive for the fund/s in question, these would be removed from the portfolio either partial or in full.

8.4 WPP’s selected investment managers such as Russell Investments provide monthly valuation statements and quarterly performance reports for the underlying funds. WPP hold regular business update meetings with clients to discuss updates on pooling and discuss any new developments such as new funds coming to into the pool. Officers are in regular communication with WPP and play an integral part in the feedback of existing and upcoming mandates, as well as covering all aspects of Fund management. Further to the above the Fund also receive a Voting and Engagement Report from Robeco and a Responsible Investment & Climate Risk Report from Hymans Robertson.

8.5 In compliance with “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the order) the Fund established a list of strategic objectives for its investment advisers, Mercer. The objectives may be revised at any time but are reviewed at least every three years, and after any significant change to the Fund’s investment strategy and objectives. The Fund monitors adherence to the objectives annually and engage with Mercer to discuss areas that are working well, and areas of concerns.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

the expectations they have set for others that engage on their behalf and how;

OR

how they have selected and prioritised engagement (for example, key issues and/or size of holding);

- how they have developed well-informed and precise objectives for engagement with examples;
- what methods of engagement and the extent to which they have been used;
- the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and
- how engagement has differed for funds, assets or geographies.

Examples of engagement methods include but are not limited to:

- meeting the chair or other board members;
- holding meetings with management;
- writing letters to a company to raise concerns; and
- raising key issues through a company's advisers.

Outcome

Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.

For example:

- how engagement has been used to monitor the company;
- any action or change(s) made by the issuer(s);
- how outcomes of engagement have informed investment decisions (buy, sell, hold); and
- how outcomes of engagement have informed escalation.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.



Principle 9

Engagement

“Signatories engage with issuers to maintain or enhance the value of assets”

- 9.1 The Fund’s officers engage with the WPP and its appointed manager, Russell, on a regular basis for updates on performance, manager selection, market information and engagement activities. The Fund’s Officers report to the Pensions Committee quarterly covering the performance of the Fund and its underlying managers as well as all other aspects of the Fund including items such as responsible investment.
- 9.2 Clwyd Pension Fund believe in the benefit of engagement on a wide range of topics with companies and has therefore delegated all voting rights to the Wales Pension Partnership, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco place particular focus on six key areas when engaging with companies, these are identified in Principle 12.
- 9.3 Robeco’s Engagement Policy is updated annually, or more frequent if required. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers, focussing mainly on financially material ESG issues.
- 9.4 Robeco carry out three types of engagement, including corporate engagement, value engagement and enhanced engagement.
- 9.5 Value engagement focuses on long-term financially material ESG opportunities and risks, with the objective of creating value for investors through improved corporate governance and sustainable conduct. Enhanced engagement is covered in Principle 11, along with an example of voting escalation.
- 9.6 Robeco’s active ownership program covers several asset classes and geographies. In some circumstances, engagement may differ for equity and fixed income portfolios. For example, engagement for credit portfolios are likely to be focused on downside ESG risks whereas engagements for equity portfolio are more likely to focus on both ESG risks and opportunities and or shareholders rights. Robeco note that the enhanced engagement program does not differentiate between investment styles or asset classes.

Responsible Investment

Principle 9

Engagement

9.7 Robeco prioritise engagement by focusing efforts on a select group of companies on the most material ESG factors and themes. The Active Ownership team at Robeco select four to five new engagement themes each year for the value engagement program. The themes focus on both financially material topics that address ESG issues in a variety of investable areas as well as adverse sustainability impacts. Each theme focuses on 10-15 companies and typically runs over a three-year period.

9.8 To ensure relevant engagement case selection, Robeco work collaboratively with other institutional investors in joint initiatives such as Climate Action 100+.

9.9 In selection of Robeco's quarterly enhanced engagement cases, Robeco we screen news flows for breaches of the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Robeco screens portfolio holdings on:

- 1) validation of a impact on stakeholders or the environment of the UN Global compact principles or OECD Guidelines
- 2) the severity of the breach
- 3) the company's responsibility for and management of the issue.

For each enhanced engagement, SMART engagement objectives are defined. Remediation is a key objective for enhanced engagement in all cases. The process for enhanced engagement theme selection is a formal part of Robeco's exclusion policy.

9.10 Robeco provide WPP a confidential engagement report on a quarterly basis, which provides detailed activity at an individual company contact level, including the topic, engagement objectives and overall status of each engagement for that period. Whenever Robeco engages with a company, such as meeting with management, chair of boards, or writing letters to raise concern full information is documented in the confidential engagement report. An example of engagement conducted by Robeco is provided on the next page.

Principle 9

Engagement

9.11 Example of Robeco engagement below.

Company:	Microsoft
Activity:	Two collaborative engagement letters and conference call
Relevant Objectives:	Stakeholder Engagement, Due Diligence, Policy and Guidelines, Governance

Activity Description:

In July 2021, Robeco collaborated with other investors in writing a letter to Microsoft focused on the 2020 Ranking Digital Rights Corporate Accountability Index (RDR Index) released in February 2021. Robeco requested Microsoft to take stronger action to address governance and human rights risks and highlighted the main RDR recommendations for the company which included the adoption of a human rights framework for developing and using algorithms and publishing more information on the scope of its human rights impact assessments related to these technologies.

Robeco discussed the investor letter with Microsoft's Vice President and Deputy General Counsel who leads the company's human rights efforts. Robeco asked how Microsoft's commitment to human rights is reflected in their Responsible AI Principles and due diligence processes. The company explained that within Microsoft the human rights team and the Office of Responsible AI is deeply engaged with the engineering teams.

Microsoft focuses on the human rights issues that they deem most material to AI, which are privacy, freedom of expression and discriminatory effects. The company has a 'sensitive uses panel' in place that meets on a weekly basis to perform a human rights sensitivity analysis on products involving AI. The company ensured us that human rights are at the core of their approach and that, in their opinion, it is semantics when talking about ethics, responsible AI or human rights. We explained that we are looking for a systematic human rights program and considerations and that we would like to receive further evidence of that. Earlier in 2021, Robeco joined an investor group focused specifically on the human rights risks of facial recognition technology. This AI-powered technology can have severe human rights impacts and the aim of the investor collaboration is to better understand how companies manage and mitigate potential human rights risks linked to this technology. In November Robeco collaborated on a letter to Microsoft asking the company about the type of facial recognition products and services they offer, the associated governance framework that they have put in place around this technology and the human right risk assessment framework and remedy procedures associated to the design, development, sale and use of the above products/services. The company followed up on 15 December with an offer for a conference call and a list of resources that Robeco will review at its investor group.

Status:

Microsoft is open to discuss Robeco's engagement objectives but more research is needed before further changes to the status of the engagement objectives can be made. Robeco continue to report positive progress on the 'Policy & Guidelines' and 'Due Diligence' objectives.

Principle 9

Engagement

9.12 Robeco's Engagement Policy is fully compliant with the requirements of the European Shareholder Rights Directive II (SRD II). Full details of Robeco's Engagement Policy can be found in the [Robeco's Stewardship Policy](#). WPP assets form part of this wider engagement.

9.13 Examples of engagement activities over the 12 months to 31 March 2022 that were reported to the Clwyd Pension Fund Committee include:

- WPP released a statement to all asset owners in regards to ownership of Russian investments. Please see Principle 10.5 for details.
- Officers continually engage with the underlying fund managers which the Fund invests in on a regular basis, via email, phone, online video or face to face meetings.

9.14 Robeco's latest full stewardship report submission can be found here: [Robeco Stewardship Report](#). Robeco will report against the stewardship code on an annual basis.

9.15 As previously mentioned, the Fund is a member of LAPFF. "LAPFF promotes high standards of corporate governance to protect long-term of local authority pension funds" (Source: LAPFF). LAPFF currently has over 80 members with assets exceeding £350bn, LAPFF engages directly with companies with the aim to affect change. Further information on the LAPFF can be found here: <https://lapfforum.org/about/>

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

REPORTING EXPECTATIONS

Activity

Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

For example:

- collaborating with other investors to engage an issuer to achieve a specific change; or
- working as part of a coalition of wider stakeholders to engage on a thematic issue.

Signatories should provide examples, including

- the issue(s) covered;
- the method or forum;
- their role and contribution.

Outcome

Signatories should describe the outcomes of collaborative engagement.

For example:

- any action or change(s) made by the issuer(s);
- how outcomes of engagement have informed investment decisions (buy, sell, hold); and
- whether their stated objectives have been met.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.



Principle 10

Engagement

“Signatories, where necessary, participate in collaborative engagement to influence issuers”

10.1 Clwyd Pension Fund participated in the development of the Wales Pension Partnership to pool the investments of the 8 Welsh LGPS funds. The Fund also proactively engaged with WPP in setting WPPs Responsible Investment (RI) policy and objectives. Fund officers requested an active sustainable equity sub-fund to be considered as part of the pool, to which the WPP have now considered and are in the process of creating. The Fund has been actively engaged with all parties involved including WPP and Russell Investments, in the development of the sub-fund and is on course to become available later in 2022. The Fund along with other constituents of the WPP are committed to collaborating and working together to further develop investment solutions that meet the climate objectives and commitments of all the Constituent Authorities.

10.2 As a member of the WPP Clwyd Pension Fund has delegated all voting rights to WPP.

10.3 The Fund actively engaged with the WPP in response to the Russian invasion of Ukraine, and supported the decision made as a collective to divest from all Russian investments as soon as practically possible, following the Russian invasion of Ukraine. The Fund also encouraged its other investment managers to divest from all Russian holdings.

10.4 The Fund applies the requirements of the Stewardship Code both through its arrangements with its asset managers and through membership of LAPFF. As a member, the Fund has active engagement with its underlying investments. As previously mentioned the Fund has been a member since the early ‘noughties’.

10.5 The Fund is committed to reviewing its compliance against the latest Code, and as a member of the WPP expects both WPP and the underlying fund managers to comply with the Stewardship Code. Clwyd Pension Fund are pleased that WPP are a signatory of the latest Code.

10.6 The Fund is an Affiliate member of [Pensions for Purpose](#). “Pensions for purpose exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment” (Source: Pensions for Purpose, 2022). Officers of the Fund also encouraged the WPP to become an affiliate of Pensions for Purpose, to which they were successful.

10.7 The Fund is also a member of the Impact Investing Adopters Forum, which is run by Pensions for Purpose in partnership with the Impact Investing Institute to advance the Principles. As an adopter the Fund has committed to the Impact Investing Institute’s Impact Investing Principles – and advancing the impact investing agenda. Detailed information on the principles can be found here: [Pensions with Impact](#).

Principle 10

Engagement

10.8 The Fund's officers are actively engaged with and aim to influence for the better groups, boards and committees they sit on. Current officers of the Fund are members of the following:

- Scheme Advisory Board Responsible Investment Group
- LGPS Cross Pool Responsible Investment Group
- WPP RI-Sub Group
- UK Pension Schemes Responsible Investment Roundtable
- GIIN Institutional Asset Owner Roundtable Working Group
- NED Pensions for Purpose (Pro Bono)
- Pensions and Lifetime Savings Association (PLSA) Local Authority Committee.

10.9 Fund officers regularly engage with the underlying investment managers via email, video conferencing and face to face meetings. Over the 12 months to 31 March 2022, the Fund's officers have engaged in some form with all managers. Investment managers include Russell, NinetyOne, Man Group, BlackRock, Insight etc. In doing so, this keeps the Fund up to date with the latest information provided by the managers and allows the officers to highlight and query any issues they may have in regards to performance or the overall running of the funds.

Example of officer engagement

Most recently, the Fund's officers have been engaged with Man Group in regards to an allocation of Cryptocurrency within the Macro strategy of the Fund. Due to the Fund's mandate going through the Bank of Ireland (BOI), BOI don't have a view of investing in crypto at the time, therefore, Man will have to take out Macro sleeve out of Fund's portfolio in the interim and re-distribute across the other strategies e.g. Alpha, Evolution etc. As a result, the Fund's officers queried the performance of the Fund without the Macro strategy and are looking into the best course of action going forward.

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Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- the expectations they have set for asset managers that escalate stewardship activities on their behalf;
- OR
- how they have selected and prioritised issues, and developed well-informed objectives for escalation;
 - when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and
 - how escalation has differed for funds, assets or geographies.

Outcome

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

For example:

- any action or change(s) made by the issuer(s);
- how outcomes of escalation have informed investment decisions (buy, sell, hold);
- whether their stated objectives have been met; and
- any changes in engagement approach.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Principle 11

Engagement

“Signatories, where necessary, escalate stewardship activities to influence issuers”

11.1 Clwyd Pension Fund expects its investment managers and Wales Pension Partnership (WPP) to take appropriate action acting on behalf of the Fund when engaging in stewardship activities such as voting. This includes ongoing monitoring of current investments and practises on issues which could present a material financial risk to the long-term performance of the Fund, including environmental, social and governance (ESG) factors.

11.2 Clwyd Pension Fund expects the highest level of monitoring from both investment managers and WPP to allow for any potential issues to be identified in a timely manner and resolved at an early stage.

Escalation Process

11.3 Clwyd Pension Fund expects the WPP to escalate any stewardship activities on its behalf with Robeco as noted in our response to Principle 12.

11.4 WPP regard escalation in relation to engagements as a key aspect of effective stewardship, and have been working closely with Robeco to ensure that escalation is embedded into Robeco’s approach where necessary.

11.5 Robeco believe that communicating with companies in which WPPs clients invest is a more effective approach than excluding such companies from portfolios, as this allows Robeco to have an influence and make a positive impact. WPP and Robeco consider exclusions as a last resort approach, applicable only after engagement and escalation has been undertaken. WPP look to influence issuers whenever possible.

11.6 Where initial engagement with a company fails, Robeco implement ‘enhanced engagement’, which includes escalation of dialogue with companies in breach of behavioural norms in areas such as human rights, environmental, labour and corruption.

Enhanced engagement looks to address shortfalls against international codes of conduct in corporate governance, social responsibility, environment and transparency.

If enhanced engagement does not lead to the desired outcome, Robeco and/ or clients of Robeco can then take the decision to exclude the company from selection. Robeco’s enhanced engagement usually runs over a three-year period, during which Robeco engage with the companies.

Further information on Robeco’s engagement can be found in Robeco’s [Stewardship Policy](#) and [Stewardship Report](#).

Principle 11

Engagement

11.7 An example of a voting escalation is provided below.

Case study: Grupo Mexico SAB de CV - Lifecycle Management of Mining

In June 2020, Robeco initiated a three-year dialogue with Grupo Mexico, the third largest producer of copper in the world. Robeco sent Grupo Mexico a letter inviting them to initiate a dialogue with them on three areas of engagement, water risk management, tailings dam safety and asset retirement planning. In August 2020 Robeco received a written response from the company explaining their approach to managing these three areas. In September 2020, Robeco had their first call with the company's ESG team where they discussed their written response.

Since September 2020, Robeco have made repeated attempts to resume our dialogue with Grupo Mexico. Robeco have pursued multiple escalation strategies, including sending a letter to the CEO outlining our expectations, supporting a joint investor statement calling for enhanced management across several ESG issues, and sharing Robeco's assessment of the company's performance across Robeco's engagement objectives with concrete feedback on how to improve. While the company's investor relations team has acknowledged receipt of all of this correspondence, they failed to commit to a conference call or break their promise to provide a response in writing to Robeco's requests. Due to the clear unwillingness of the company to engage with Robeco, Robeco are conducting a final assessment of the latest company's disclosures to close this engagement case (December 2021). Robeco assess the company's progress against its objectives as follows. Robeco report positive progress on 'Water Risk Management' in view of the commitments made to identify gaps of their management system against the standards developed by ICMM. Robeco report negative progress on the objective 'Asset Retirement Planning' due to the worsening of disclosures on this topic. Robeco report flat progress on all other objectives: 'Effective implementation of water risks at the asset level', 'Enhance water efficiency and quality', 'Tailings Safety Management', 'Public reporting and global monitoring of tailings storage facilities', 'Phase out high risk tailings dams and reduce the use of tailings dams', 'Financial surety for mine closures', 'Liquidity and accessibility of financial surety'. Robeco close our overall engagement with Grupo Mexico as unsuccessful.

Robeco keep a track of unsuccessful engagements and discuss these with WPP at regular meetings.

Principle 12

Signatories actively exercise their rights and responsibilities.

REPORTING EXPECTATIONS

Reporting expectations for listed equity and fixed income investments are below. In addition, signatories should report on how they have exercised their rights and responsibilities across other asset classes they are invested in, where they have the ability to do so, as disclosed in their reporting against Principle 6.

Context

Signatories should:

- state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;

OR

- explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies.

In addition, for listed equity assets, signatories should:

- disclose their voting policy, including any house policies and the extent to which funds set their own policies;
- state the extent to which they use default recommendations of proxy advisors;
- report the extent to which clients may override a house policy;
- disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and
- state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.

Activity

For listed equity assets, signatories should:

- disclose the proportion of shares that were voted in the past year and why;
- provide a link to their voting records, including votes withheld if applicable;
- explain their rationale for some or all voting decisions, particularly where:
 - there was a vote against the board;
 - there were votes against shareholder resolutions;
 - a vote was withheld;
 - the vote was not in line with voting policy.
- explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and
- explain how they have monitored what shares and voting rights they have.

For fixed income assets, signatories should explain their approach to:

- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

Outcome

For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.

Principle 12

Exercising rights and responsibilities

“Signatories actively exercise their rights and responsibilities”

12.1 Clwyd Pension Fund is a long term investor that supports and promotes high standards of stewardship. It is the Fund’s belief that effective stewardship can strengthen and protect the interests of both the Fund and its beneficiaries.

12.2 As part of the Government’s investment reform, Clwyd Pension Fund has participated in the development of the Wales Pension Partnership (“WPP”) to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities are the responsibility of WPP.

12.3 Clwyd Pension Fund proactively engaged with WPP in setting WPP's RI policy and objectives, and is confident that they will enable it to implement its own policies. Clwyd Pension Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

Delegation of voting rights to the WPP

12.4 As a member of the WPP Clwyd Pension Fund has delegated all voting rights to WPP; voting rights give shareholders the opportunity and responsibility to engage and promote the participation in the stewardship of companies. Clwyd Pension Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code.

It is the belief of WPP that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities.

12.5 WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

12.6 Before WPP appointed Robeco and implemented the WPP voting policy, individual managers within Sub-Funds were responsible for voting in line with their own house policy. The implementation of a single policy has ensured that all votes are cast in a consistent manner. This policy does not yet extend to passively managed funds where the passive provider, BlackRock, is currently responsible for this activity.

WPP are looking into the possibility of applying the single voting policy across all equity assets including the passive equity mandate currently run by BlackRock.

Principle 12

Exercising rights and responsibilities

Voting Policy

12.7 WPP formed an RI-Sub Group in order to support the pool's RI policies and provide ongoing scrutiny of its providers. The group has officer representation from all Constituent Authorities and meets two times a quarter.

12.8 Following their appointment, WPP worked with Robeco to agree an appropriate voting policy. Rather than developing a tailored portfolio, WPP reviewed Robeco's own policy and took the decision to adopt this as an initial template. WPP's RI Sub-Group took into consideration various approaches in the development of its voting policy, including a "bottom-up" policy. However, the group decided that adopting a house policy as an initial standard would enable the pool to implement a single standard at a faster pace.

WPP will review the [Voting Policy](#) annually to ensure that it remains appropriate.

Voting Areas

12.9 WPP recognised the challenge in focusing on all voting activities and therefore in the development of its voting policy choose to place focus on six key areas. These six areas were selected by the RI-Sub Group and are subject to detailed scrutiny. The areas are as follows:

1. Management of Climate Change
2. Climate Risk Disclosures
3. Improving shareholder governance
4. Board diversity
5. Retention and Development of Human Capital
6. Executive remuneration: focusing on long-term outcomes

WPP and Robeco have discussed the six key areas and agreed these will be a key element of the ongoing discussions and scrutiny exercised. Robeco will be proactive in voting on shareholder proposals with a particular focus to the six chosen areas as stated.

Principle 12

Exercising rights and responsibilities

LAPFF alerts and WPP instruction to Robeco

12.10 As a member of the LAPFF, LAPFF provide alerts when there is a campaign to vote in a certain way. WPP have instructed Robeco to give due regard to all LAPFF alerts, and where Robeco considers appropriate will vote in line with the LAPFF alert. If in the instance Robeco's view differs from LAPFF, WPP will engage with Robeco and request reasons for each event.

Monitoring voting effectiveness

12.11 Before WPP implemented its own voting policy votes were cast in line with the underlying individual managers voting policies. Due to the contrasting nature of each of the underlying manager's voting policies and the focus on implementing a single voting policy, WPP took the decision to not exercise independent scrutiny of voting outcomes ahead of the single policy implementation.

WPP receive quarterly voting reports from Robeco which cover key statistics and information on voting over the period. Robeco has only been voting in line with the agreed voting policy since 1 January 2021.

Engagement and Voting

12.12 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 2021/22 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
BlackRock - ESG	274	3,937	3,641	266	29	1
Russell - Global Opportunities	61	704	634	64	5	1
Russell - Emerging Market	19	187	139	35	1	12

Principle 12

Exercising rights and responsibilities

Voting Examples

12.13 Robeco cover all voting and engagement for Clwyd Pension Fund, examples of votes cast over the 12 months to 31 March 2022 are shown below:

Company:	Booking Holdings
Date of meeting:	26 May 2021
Resolution:	CFO executive compensation
Voted:	Voted against the executive remuneration proposal
Outcome:	The proposal was passed

As a travel platform, Booking's performance has been heavily impacted by the pandemic, which has led them to apply for state aid in the Netherlands and an overall restructuring of the firm. Although the need to retain key executives throughout such a challenging time is evident, Booking's method of retention is questionable. During the past financial year, the CFO has received discretionary retention bonus of USD 10 million additional to his regular long-term pay package. Despite the important role the CFO will play in the upcoming restructuring and his relatively recent appointment of 2018, the overall height of his compensation is not commensurate to a year where the company has faced such economic hardship

Company:	Unilever Plc
Date of meeting:	5 May 2021
Resolution:	Promote discussion and engagement with all shareholders on climate issues
Voted:	Voted to support the proposal
Outcome:	The proposal was passed

Unilever was one of the first global companies that had voluntarily committed to put its climate transition plans before a shareholder vote. The company explained that the proposal sought to promote discussion and engagement with all shareholders on climate issues. The Company provides thorough reporting concerning its climate strategies and initiatives and has made credible plans to mitigate its climate impacts, including an ambition to achieve net zero Scope 1, 2, and 3 emissions by 2039.

Principle 12

Exercising rights and responsibilities

Voting Examples (*continued*)

Company:	Rio Tinto Plc
Date of meeting:	9 April 2021
Resolution:	CEO executive remuneration
Voted:	Voted against the remuneration proposal
Outcome:	The proposal was passed

In light of the Juukan Gorge incident in May 2020, where an expansion of one of the company's iron ore mines led to irreversible damage to a 46,000-year-old Aboriginal cultural heritage site, the company's CEO was fired and his vested LTIP of 2016 adjusted downward by GBP 1 million. However, despite this adjustment the total pay out to the CEO was nearly GBP 1.5 million higher than the previous year. This led many shareholders to question whether the company's downward adjustment was sufficient to account for the serious reputational damage the company incurred in the aftermath of the Juukan Gorge incident for which the CEO was ultimately responsible. The company did not disclose clearly how it arrived at the applied reduction figure, nor did it explain why the CEO was treated as an "eligible" leaver, which means his outstanding equity awards will vest on their normal vesting dates, subject to pro-rata. The height of the remuneration is excessive for a year where the CEO is leaving the company due to the failure to implement an adequate heritage management system.

Principle 12

Exercising rights and responsibilities

Voting Examples (*continued*)

Company:	Royal Dutch Shell
Date of meeting:	18 May 2021
Resolution:	<ol style="list-style-type: none">1. Energy Transition Strategy2. Shareholder proposal set climate-related targets
Voted:	<ol style="list-style-type: none">1. Voted to support the resolution2. Abstained from voting
Outcome:	<ol style="list-style-type: none">1. The resolution was passed2. The resolution did not pass

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During Shell's 2021 AGM, two important climate-related proposals were on the agenda. Resolution 20 represented an industry first, as Shell put forward its own climate transition plan for a shareholder vote. Resolution 21 was a shareholder proposal on greenhouse gas reduction targets. Robeco supported Shell's proposal for approval of the Energy Transition Strategy (Say on Climate), because in our assessment, the climate plan is currently one of the most elaborate and advanced plans in the oil and gas sector.

While supporting the resolution, Robeco recognize that the plan will require updates and further improvements in the coming years. At the AGM, Robeco expressed the desire for Shell to increase pace and to already make significant steps in the near future. This aligns with the progress Robeco have expected and seen from Shell during our engagement under the Climate Action 100+ initiative. Following the AGM and a court ruling regarding its transition plan in The Hague, Shell has already further advanced its plans and ambitions. In addition, a shareholder proposal was filed for Shell to set climate-related targets in the long, medium, and short term. In our assessment, Shell has already set one of the most advanced targets in their sector, and the company should instead focus on implementation in its next steps. Therefore, Robeco abstained from voting on this resolution. Robeco generally support these resolutions when companies have not set robust targets (scope 1, 2, and 3 for long-, medium-, and short-term horizons) and have not presented concrete implementation plans. However, this needs to be balanced with the significant progress that Shell had already shown on the specific asks for the resolution. Shell's own Say on Climate vote received the support of around 89% of votes cast, representing widespread acknowledgement of the strength of its transition plan. Meanwhile, shareholders also voiced their view on the further development of Shell's targets, as the shareholder resolution received 30% of votes in favour.

Principle 12

Exercising rights and responsibilities

Monitoring voting effectiveness (*continued*)

12.14 Robeco provide the WPP with a full breakdown of all votes that are cast over the period, this description, meeting type, management recommendation, proponent and Robeco's vote. In doing so this enables WPP to monitor the activity Robeco is undertaking on behalf of the WPP and compare against the voting principles that are set within the voting policy.

Further Information

12.15 Further information on WPPs approach to exercising rights and responsibilities can be found in the latest [Wales Pension Partnership Stewardship Report](#) for the year ending 31 March 2021.

Further information on the WPP and ongoing updates on the WPPs progress can also be found on the WPP [website](#) and [LinkedIn page](#).

Further Information
1262

Eitem ar gyfer y Rhaglen 6



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The last update report was provided at the June 2022 Committee meeting and therefore this update report includes developments since that report.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. There are two areas for approval; these relate to some proposed changes to the Constitution and Pension Board Protocol mainly as a result of the departure of the last Chief Executive, and consequential changes to the Delegations of Functions to Officers Schedule.

The report includes updates on:

- Progress against the governance section of the Business Plan
- The results of the Pension Board Effectiveness survey
- A number of recent topical developments
- Changes to the governance risks on the Fund's risk register since the last meeting
- The latest changes to our breaches of the law register
- Forthcoming training and events, some of which are essential for Members.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee consider the proposed changes to the Council's Constitution and Pension Board Protocol, relating to pension fund related responsibilities and recommend the proposed changes for consideration by Constitution and Democratic Services Committee and then approval by the Council.
3	That the Committee approve the proposed changes to the Delegations of Functions to Officers Schedule.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 shows progress with the first two quarter's work for the governance tasks in the 2021/22 Business Plan. Good progress is being made with all actions. The Committee should note the following:</p> <ul style="list-style-type: none">• <i>G1 – Induction Training</i> Most of the induction training sessions have now been completed for most new members who have joined the Committee. The final sessions and also wrap up sessions are being arranged to ensure that all members have received the full induction training.• <i>G2 – Develop business continuity arrangements including managing cyber risk</i> The development of a draft Fund specific business continuity plan is now being undertaken based on the current practices that were documented by the Deputy Head of Clwyd Pension Fund and Pensions Administration Officer. It is hoped this will be finalised in the next month or two and an update will be provided at the November committee. <p>In addition, within the cyber security workstream, the Fund continues to engage with FCC as host authority and the next steps are to develop a Fund specific Cyber Incident Response plan. The Cyber Hygiene Guidelines have been brought to this meeting for noting.</p> <ul style="list-style-type: none">• <i>G3 – Review against TPR new Single Code</i> The Pension Regulator's new Single Code has still not been laid before Parliament. On the update in the Appendix, the timing for Q1 has been moved and Q2 has been left blank as it is hoped this will be laid quite quickly after summer recess has finished.• <i>G4 – Review appointment of Local Pension Board and Pension Fund Committee Members</i> The appointments of two members of the Pension Board were due to end or be reviewed this year. As was reported last meeting, the trade union scheme representative has already been reappointed to the Board. The review of the non-trade union member representative will be carried out ahead of the end of their 3 year term in February 2023.
1.02	<p>Current Developments and News</p> <p><i>Pension Board meetings</i></p> <p>The Clwyd Pension Board met on the 6th June and a verbal update was provided at the last Committee meeting. The minutes are now available and included in Appendix 2.</p>

	The next Pension Board meeting is on 30 September 2022.
1.03	<p><i>Pension Board Effectiveness Survey</i></p> <p>Committee Members were recently asked to complete a survey to establish the Members' views on the effectiveness of the Fund's governance including the Committee arrangements, and the results were reported to the Committee in March.</p> <p>Subsequently, members of the Pension Board have completed a similar survey in respect of the Fund's governance relating to the Board's arrangements. The survey results are outlined as follows:</p> <ul style="list-style-type: none"> • Generally the survey results are positive about how the members find the Pension Board operates. • The points of concern mentioned below were only highlighted by one or two (out of five of the members), albeit they will still be discussed further with the Board at the September meeting • Some members do not feel work as well as face to face meetings, although one member was clear that they wished to retain hybrid Pension Board meetings. • There are also concerns around the length of meetings and the size of the agenda for each meeting. . • Finally, there was a suggestion that the Board would benefit from a facility where all current and past Pension Board papers and minutes could be accessed, to ensure that these are easily available for Board members. <p>The full summary results of the Pension Board effectiveness survey can be found in Appendix 3.</p>
1.04	<p><i>Constitution changes</i></p> <p>The Committee are being asked to consider proposed changes to the Council's Constitution and Pension Board Protocol, relating to pension fund related responsibilities. These changes must be approved by Flintshire County Council, and therefore the Committee are being asked to recommend the proposed changes for approval by the Council, after consideration by the Constitution and Democratic Services Committee.</p>
1.05	<p>The previous Chief Executive, Mr Colin Everett, had a number of delegated responsibilities in relation to the Clwyd Pension Fund including establishing and chairing the Clwyd Pension Fund Advisory Panel. The change in Chief Executive is a timely opportunity to consider whether any changes are required in relation to the responsibilities relating to the Pension Fund.</p>
1.06	<p>Proposed changes to the Constitution and Pension Board Protocol are outlined in Appendix 4 to this report. The key changes relate to two specific areas as explained in the following paragraphs. There are some further incidental changes.</p>

1.07	<p>Recommendations from a national good governance review carried out by the LGPS Scheme Advisory Board include that:</p> <p><i>“Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).”</i></p> <p>The Fund’s Independent Governance Adviser advised that whilst the Good Governance recommendations are not yet confirmed in legislation, it would be best practice to identify a senior officer whose principal (or sole) focus is the pension fund, thus ensuring that person has the capacity to devote sufficient time to the role. This senior officer could then carry out the role recommended by the LGPS Scheme Advisory Board, which would include the pension fund administering authority responsibilities currently delegated to the Chief Executive. It was suggested that this should fall within the remit of the existing role of Head of Clwyd Pension Fund and this recommendation was endorsed by the previous Chief Executive and the Clwyd Pension Fund Advisory Panel. The recommended changes in the attached replace all Pension Fund administering authority responsibilities that currently fall to the Chief Executive with the Head of Clwyd Pension Fund. Furthermore, they include the addition of the Corporate Manager – Human Resources and Organisational Development as a new member of the Advisory Panel to replace the Chief Executive.</p>
1.08	<p>It has also been identified that further changes should be made to clarify the fact that Local Government Pension Scheme functions are a non-executive function. This means that:</p> <ol style="list-style-type: none"> 1. the role of the Cabinet Member for Finance, Social Value & Procurement should have Clwyd Pension Fund removed from his responsibilities; and 2. the remit of the Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources should include responsibilities to reflect the Council’s role as an employer within the Clwyd Pension Fund; and 3. the inclusion of the Clwyd Pension Fund Committee within the remit of the Corporate Resources element of the Overview and Scrutiny Committee should refer specifically to the Council’s role as an employer in the Clwyd Pension Fund.
1.09	<p>The associated changes to the Constitution and Pension Board Protocol have been discussed and accepted in principle by the Chief Executive and the Clwyd Pension Fund Advisory Panel. The Pension Board considered and agreed for recommendation, the principles of the changes to its Protocol. Subject to the approval of this Committee, the proposed updates to the Constitution and Pension Board Protocol can then be recommended for approval at the Council’s Meeting in October 2022 following consideration by the Constitution and Democratic Services Committee.</p>
1.10	<p><i>LGPS Scheme Advisory Board (SAB) meetings</i></p> <p>The LGPS SAB met on 6th June. A summary of the meeting is attached in Appendix 5.</p>

	<p>There are no matters to highlight to the Committee that aren't covered in other Committee update reports or self-explanatory within the update.</p>
1.11	<p><i>New ministers for the LGPS</i></p> <p>Following the resignation of many ministers of the Department for Levelling Up, Housing and Communities, there are some new appointments at DLUHC. Greg Clark MP has been appointed Secretary of State and Paul Scully MP is the new minister for Local Government and will therefore take up responsibility for the LGPS.</p> <p>It is expected that the change of minister, and the process of electing a new Conservative party leader and Prime Minister, will lead to some delays in current workstreams. The Scheme Advisory Board has written to Greg Clark MP seeking an assurance that the consultation on TCFD reporting can proceed as planned for the Autumn.</p>
1.12	<p><i>SAB publishes statement in response to UK Lawyers for Israel's (UKLFI) letter to the SAB Chair</i></p> <p>On 17 April, UKLFI wrote to the Chair of the LGPS SAB regarding a statement of SAB's website that UKLFI felt "gives a somewhat misleading impression" of a discussion with Mr Lynk about investments related to Israeli settlement economy. A copy of that letter can be found here – https://lgpsboard.org/images/PDF/BDS/UKLFI_Letter_to_LGPSAB_170422.pdf.</p> <p>On 3 August the SAB published a statement in response to UKLFI's letter to the SAB Chair. The SAB were keen to note that "LGPS funds' primary objective in investment is to ensure pensions are paid". They note that LGPS funds can and do take human rights issues seriously, and that funds should follow the statutory guidance when setting their ESG policies.</p> <p>A copy of the statutory guidance referred to can be found here - https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement.</p> <p>As mentioned at a previous meeting, via the Public Service Pensions and Judicial Offices Act the Government has amended the Public Service Pensions Act 2013 to introduce powers to allow them to give guidance or directions to LGPS administering authorities on investment decisions which it is not proper for the administering authorities to make in light of UK foreign and defence policy. Government has indicated that such guidance/directions would not seek to restrict decisions that meet the Law Commission's tests for investment decisions influenced by non-financial considerations, except in a very narrow area concerned with UK foreign and defence policy. It further stated that the guidance would seek to provide protection to LGPS funds by preventing decisions which would otherwise have been subject to challenge under the Law Commission tests.</p>

<p>1.13</p>	<p><i>Harpur Trust V Brazel</i></p> <p>At the last Clwyd Pension Fund Advisory Panel meeting, the Corporate Manager – Human Resources and Organisational Development highlighted a recent Supreme Court judgement. The Harpur Trust v Brazel case relates to the calculation of holiday pay for part-year employees, and the final judgment means that employers should now consider revising how pay is calculated for part-year employees. It is our understanding that part-year includes employees with term-time and zero hours contracts.</p> <p>While this is primarily an issue for employers, there will be some implications for the LGPS. Firstly, it seems likely that part-year only employees will see an increase in their pay and it would appear this increase will fall within the definition of pensionable pay. This could have knock-on implications for the calculation of employer and employee pension contributions, particularly for education-based employers (such as the Councils, colleges and universities) who are likely to have large numbers of term-time employees, increasing CARE pay. Secondly, increases in pay could also knock on to increase the amounts of final salary benefits for those employees affected. Thirdly, there’s the possibility that affected employees will be able to submit claims in relation to previous years, which could lead to pension benefits (including career average benefits) having to be further recalculated.</p> <p>Any required increase in pension benefits will adversely affect employer funding levels, although the funding impact will not necessarily be significant.</p> <p>Clearly there are potential resource implications for administration teams (and employers in collecting historical contributions and providing historical information to the administering authorities).</p> <p>This judgment is fairly new, and Aon have brought it to the attention of Local Government Pensions division of the LGA and also the SAB. Hopefully there will be further guidance issued in due course and updates will be provided at future meetings.</p>
<p>1.14</p>	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Knowledge and Skills Policy and Training Plan</i></p> <p><u>Policy requirements</u></p> <p>The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> • attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis • attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and • attend at least one day each year of general awareness training or events.

Training undertaken - Appendix 6 sets out the Training Plan for the Fund. Recent events include:

- 13 to 15 June 2022 - PLSA Local Authority Conference
- 22 June 2022 – CIPFA Pension Board Event
- June to August – Induction training for new Committee members
- 24 August – Actuarial Valuation and Funding Strategy

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

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Officers attending (Proportion of total)
Hot Topic Sessions – Target attendance is 75%				
Communications Strategy Review	Jun-22	6 (100%)	4 (80%)	4 (80%)
Actuarial Valuation and Funding Strategy	Aug-22	To be confirmed	To be confirmed	To be confirmed
Total		6 (100%)	4 (80%)	4 (80%)

Future training and events

Officers will continue to be in touch with information as further training sessions and events become available. In particular induction training is being arranged for the new committee members. In the meantime, if any Committee or Board members wish to attend any of the following optional events that count as general awareness training, please contact the Deputy Head of Clwyd Pension Fund:

- 8 to 9 September 2022 - LGC Investment Seminar (in person, and four places have been provisionally booked at a discount)
- 22 September 2022 – WPP training on sustainable active equities and private market assets including the role of the allocator
- October/November/December 2022 – LGA Fundamentals Training Programme which is a total of three days covering a range of governance, administration and investment issues (probably more relevant for new or new Committee and Board members)
- 19 October 2022 – WPP training on governance, administration and roles/responsibilities within the WPP
- 20 January 2023 – LGA annual LGPS governance conference.

Committee members should however note the following training sessions which are classed as essential for all Committee and Board members and senior officers:

- 5 October 2022 at 10.00 am – Investment strategy review and asset classes (in person, if permitted).

1.15	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 7 details the current breaches that have been identified.</p> <p>The new breaches that have been added since the last Committee are as follows:</p> <ul style="list-style-type: none"> • A25 – this relates to an employer who has entered around 18 employees into the LGPS with Clwyd Pension Fund, whereas they should have been entered into the employer's other pension schemes. The employer is currently determining how to resolve this issue. • F78 onwards – These 7 new breaches relate to late payment of contributions or late submission of remittances by 3 separate employers. All but one of the breaches have now been resolved. That being said, it is concerning to see the number of recent breaches for late payment and/or remittances for Ruthin Town Council and Hafan Deg. These have therefore both been assessed as amber risks and officers are monitoring this for July 2022 payments and will have further discussions with the employers if necessary. <p>It is also worth noting that all the breaches highlighted at the last meeting relating to late payment of contributions or late submission of remittances have also been resolved</p>
1.16	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There have been no uses of delegated powers for governance matters since the last update report.</p> <p>As referred to above, the departure of Colin Everett as the Chief Executive of Flintshire County Council does also impact on the existing Delegations of Functions to Officers Schedule. The Schedule has been reviewed and the proposed updates are included in Appendix 8 for the Committees approval. The majority of the changes relate to moving the delegations from the Chief Executive to the Senior Manager – Human Resources and Organisational Development. However:</p> <ul style="list-style-type: none"> • The change in the second row to the "Function delegated to PFC" relates to one of the incidental proposed changes referred to in Appendix 4 • Three other changes reduce the need for both the Chief Finance Officer and the Senior Manager – Human Resources and Organisational Development to be involved (instead requiring one of them plus the Head of Pension Fund).
1.17	<p>Calendar of Future Events</p> <p>Appendix 9 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings,</p>

	<p>Pension Board meetings, Training and Conference dates. Key dates to note are:</p> <ul style="list-style-type: none"> • The next Committee meeting is on 23 November 2022. • The Fund's Annual Joint Consultative Meeting will take place on 13 December 2022 – all Committee and Board members are invited to attend this event and a save the date will be issued shortly.
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2.00	RESOURCE IMPLICATIONS
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2.01	As referred to in the other update reports, difficulties in recruitment and retention are resulting in pressures on resources, which are beginning to impact on services. Discussions are taking place within the Advisory Panel and an action plan is being developed with the assistance of the Senior Manager – Human Resources and Organisational Development and the Section 151 Officer.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None.
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4.00	RISK MANAGEMENT
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4.01	<p>Appendix 10 provides the dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in June.</p> <p>The key change this month relates to risk number 6 (insufficient staff numbers meaning services are not being delivered to meet legal and policy objectives). The likelihood has been updated from Significant to Very High in difficulties with retention and recruiting to vacant posts.</p>
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4.02	<p>The other risks that are furthest from target are:</p> <ul style="list-style-type: none"> • Governance Risk 2 - Governance is poor including due to short appointments or poor knowledge at PFC, resulting in inappropriate or no decisions being made • Governance Risk 3 – Decisions, particularly at PFC level, are influenced by conflicts of interest, and therefore may not be in the best interest of fund members and employer meaning our legal fiduciary responsibilities are not met. <p>These rating of these risks can hopefully be reduced as the new members' knowledge increases through induction training, other training and events, and attendance at Committees.</p>
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5.00	APPENDICES
5.01	<p>Appendix 1 – Business plan progress 2022/23</p> <p>Appendix 2 – Pension Board Minutes</p> <p>Appendix 3 – Pension Board Effectiveness Survey results summary</p> <p>Appendix 4 – Proposed changes to FCC Constitution and Pension Board Protocol</p> <p>Appendix 5 – SAB Meeting summary note from 6 June 2022</p> <p>Appendix 6 – Training plan</p> <p>Appendix 7 – Breaches log</p> <p>Appendix 8 – Delegations of Functions to Officers Schedule</p> <p>Appendix 9 - Calendar of future events</p> <p>Appendix 10 - Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None in this report</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund</p> <p>Telephone: 01352 702264</p> <p>E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) Committee or PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) Board, LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p>

- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.
- (g) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountancy** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.
- (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.
- (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.
- (l) **HMT – Her Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made.

Mae'r dudalen hon yn wag yn bwrpasol

Business Plan 2022/23 to 2024/25 – Q1 & 2 Update

Governance

Cashflow projections

	2020/21 £000s	2021/22 £000s	2022/23 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(20,237)	(37,078)	(75,898)	(79,645)		
Payments						
Pensions	64,908	66,794	68,400	17,464	68,400	0
Lump Sums & Death Grants	12,475	17,158	16,000	3,826	16,000	0
Transfers Out	5,901	4,459	6,000	1,824	6,000	0
Expenses	5,073	5,047	6,800	1,205	6,800	0
Tax Paid	174	73	100	5	100	0
Support Services	173	173	200	0	200	0
Total Payments	88,704	93,704	97,500	24,324	97,500	0
Income						
Employer Contributions	(49,282)	(49,897)	(49,000)	(14,301)	(49,000)	0
Employee Contributions	(17,518)	(17,530)	(17,200)	(4,217)	(17,200)	0
Employer Deficit Payments	(14,977)	(14,383)	(15,000)	(13,989)	(15,000)	0
Transfers In	(3,393)	(6,957)	(6,000)	(1,215)	(6,000)	0
Pension Strain	(107)	(1,482)	(1,200)	(115)	(1,200)	0
Income	(30)	(13)	(40)	(21)	(40)	0
Total Income	(85,307)	(90,262)	(88,440)	(33,858)	(88,440)	0
Cashflow Net of Investment Income	3,397	3,442	9,060	(9,534)	9,060	0
Investment Income	(10,270)	(11,635)	(8,000)	(2,105)	(8,000)	0
Investment Expenses	3,918	6,162	4,000	1,608	4,000	0
Total Net of In House Investments	(2,955)	(2,031)	5,060	(10,031)	5,060	0
In House Investments						
Draw downs	43,927	66,941	103,661	20,723	103,661	0
Distributions	(63,533)	(117,117)	(98,146)	(19,383)	(98,146)	0
Net Expenditure /(Income)	(19,606)	(50,176)	5,515	1,340	5,515	0
Total Net Cash Flow	(22,561)	(52,207)	10,575	(8,691)	10,575	0
Rebalancing Portfolio	5,720	9,640		0	0	0
Total Cash Flow	(16,841)	(42,567)	10,575	(8,691)	10,575	0
Closing Cash	(37,078)	(79,645)	(65,323)	(88,336)	(69,070)	0

Operating Costs

	2020/21	2021/22	2022/23			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	261	299	397	68	397	0
Support & Services Costs (Internal Recharges)	22	23	24	0	24	0
IT (Support & Services)	1	0	5	0	5	0
Other Supplies & Services)	54	65	95	9	95	0
Audit Fees	39	41	45	7	45	0
Actuarial Fees	504	493	879	48	879	0
Consultant Fees	847	1,065	1,627	113	1,627	0
Advisor Fees	576	532	517	33	517	0
Legal Fees	16	113	100	0	100	0
Pension Board	106	101	113	0	113	0
Pooling (Consultants & Host Authority)	101	144	197	0	197	0
Total Governance Expenses	2,527	2,876	3,999	278	3,999	0
Investment Management Expenses						
Fund Manager Fees*	16,924	19,490	16,275	1,551	16,275	0
Custody Fees	69	106	112	0	112	0
Performance Monitoring Fees	67	53	53	3	53	0
Pooling (Operator / Manager)	304	998	500	0	500	0
Total Investment Management Expenses	17,364	20,647	16,940	1,554	16,940	0
Administration Expenses						
Employee Costs (Direct)	1,091	1,242	1433	333	1,433	0
Support & Services Costs (Internal Recharges)	156	150	158	0	158	0
Outsourcing	197	41	0	0	0	0
IT (Support & Services)	408	488	715	446	715	0
Other Supplies & Services)	112	103	146	12	146	0
Miscellaneous Income	0	0	0	0	0	0
Total Administration Expenses	1,964	2,024	2,452	791	2,452	0
Employer Liaison Team						
Employee Costs (Direct)	199	218	363	90	363	0
Total Costs	22,054	25,765	23,754	2,713	23,754	0

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	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
G1	Induction training (if required)	x	x				
G2	Develop business continuity arrangements including managing cyber risk	x	x	x			
G3	Review against TPR new Single Code	x	x	x	x		
G4	Review appointment of Local Pension Board and Pension Fund Committee Members		x	x	x		

Governance Task Descriptions

G1 – Induction training (if required)

What is it?

The Pension Fund Committee includes a number of elected members from Flintshire County Council, Denbighshire County Borough Council and Wrexham County Council. The Welsh local authority elections are taking place in May 2022. After those elections each Council will decide which elected members will be put forward as members of the Clwyd Pension Fund Committee.

Given the complexity of managing the Clwyd Pension Fund, it is always preferred that changes to the Committee are kept to as a minimum, but where this is unavoidable, it is important that any new members are given a full programme of induction training as soon as possible. Accordingly, if required, officers and advisers will put in place an induction programme which is likely to commence in June 2022.

Timescales and Stages

Develop and deliver induction training	2022/23 Q1 to Q2
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Resource and Budget Implications

The estimated costs for delivering induction training is included within this year's budget. It is expected this will be led by the Head of Clwyd Pension Fund and the Independent Adviser, albeit other officers and advisers will be involved in the delivery of the training.

G2 – Develop business continuity arrangements including managing cyber risk

What is it?

The Fund has been carrying out a fundamental review of their business continuity arrangements, and this has included developing their cyber resilience given cybercrime is a key risk to the Fund. Although much of this will result in new or enhanced ongoing internal controls which will be part of the Fund's business as usual activities, there are some key areas that are still being developed including:

- finalising the Fund's new business continuity plan.
- developing a cyber specific incident response plan.
- creating a testing schedule (covering both general business incidents as well as cyber-attacks)
- documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.

Timescales and Stages

Developing Business Continuity Plan	2022/23 Q1 to Q2
Develop cyber incident response plan	2022/23 Q1 to Q2
Document processes relating to gaps & identify ongoing training needs	2022/23 Q1 to Q3
Develop Testing Schedule	2022/23 Q2 to Q3

Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager with input from the Head of Clwyd Pension Fund and guidance from the Independent Adviser. All expected costs are included within the existing budgets.

G3 – Review against TPR new Single Code

What is it?

The Pensions Regulator (TPR) is expected to introduce a new Single Code during 2022; it is unlikely to be laid in Parliament before spring 2022 and therefore unlikely to be effective before summer 2022. This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Timescales and Stages

Consider implications of the new Single Code once it is laid in Parliament and start working towards compliance	2022/23 Q1 to 2 (estimated)
Start reporting the CPF's compliance and activity against the new Single Code from TPR	2022/23 Q3 to 4 (estimated)

Resource and Budget Implications

This work will be performed by the Deputy Head of Clwyd Pension Fund and Pensions Administration Manager working with the Independent Adviser. Estimated costs of the review are included within the budgets shown.

G4 – Review appointment of Local Pension Board and Pension Fund Committee Members

What is it?

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

- Scheme member representative (trade union) – October 2022 (five-year point)
- Scheme member representative (non-trade union) – February 2023 (three-year point)
- Two scheme employer representatives – July 2023 (three-year point)

For information, 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. The existing representative members were appointed in July 2020 and may be reappointed for further terms. Therefore, their existing appointments will need to be reviewed by July 2026 (which is outside the period of his business plan).

When considering Committee and Board appointments, the aspiration for diversity will be considered, albeit it is recognised that for elected members, this is largely out of the Fund's control as (a) the Councils decide who are to be on the Committee and (b) pool of elected members is subject to local elections.

Timescales and Stages

Appoint Pension Board representative (trade union scheme representative)	2022/23 Q2 to Q3
Review Pension Board scheme member representative (non-trade union)	2022/23 Q3 to Q4

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. All costs are being met from the existing budget.

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 virtually by WebEx, and on Wednesday 8th June at 1.00 pm.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Elaine Williams, Mr Phil Pumford

Employer Representatives: Mr Steve Gadd, Mr Steve Jackson

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Karen Williams (Pension Administration Manager)

Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)

Mr Chris Emmerson (Aon)

Actions

1. APOLOGIES/ WELCOME

No apologies were received.

Mr Chris Emmerson was introduced and attended to record the minutes of the meeting.

2. DECLARATIONS OF INTEREST

No new declarations were made or recorded.

3. MINUTES AND MATTERS ARISING

The Chair asked for comments on the minutes of which there were none and the draft minutes of the meeting held on the 17th February 2022 were confirmed as a correct record by all Board members.

4. ACTION TRACKER

The contents of the Action Tracker were discussed. As previously agreed, completed actions are now removed from the Action Tracker once reported as completed to the Board.

The following comments were made on the Action Tracker:

- 70th action: Due to the complexity of the situation updates are being received periodically from WPP but it is expected that this action will continue for some time.
- 77th action: Due to the workload of the Deputy Head of Fund there has been a conscious decision to delay this action until after the production of the 2022 accounts.
- 107st action: This was picked up within the agenda item below (Item 13).
- 109th action: This was picked up within the agenda item below (Item 7).
- 110th action: This is ongoing due to recent illness of the Chair, and will be completed ahead of the next Board meeting.

5. COMMITTEE AND BOARD MEMBERSHIP

The Board Secretary discussed changes to the membership of the Committee and Board. The Board was delighted by the re-appointment of Phil Pumford following the recommendation by the joint trade unions. It was noted that continuity on the Board encourage good governance, so it was pleasing to retain Phil's knowledge. The Chair thanked Phil for his contribution to the Board and being willing to continue as a member of the Board for a further term.

Following local elections in Wales during May 2022, the Committee has lost 5 of the 7 elected members. The political split of the Committee in relation to Flintshire County Council elected members is now expected to be 2 Labour, 2 Independent and 1 Liberal Democrat. Councillors Ted Palmer and Dave Hughes are re-joining, with Ted remaining Chair. Councillors Antony Wren and Jason Shallcross have also been appointed to the Committee, but there is still some uncertainty about who the Flintshire County Council Liberal Democrat appointment will be. The appointments for Wrexham County Borough Council and Denbighshire County

Council are also still to be confirmed. The Board Secretary is hoping that everyone will be in place by the time of the Committee meeting on 14th June 2022.

Steve Gadd recommended that the Board Secretary speak to the monitoring officer at Denbighshire Council, to try and ensure that the Committee position was filled.

Action - The Chair asked the Board Secretary to arrange this contact.

Board Secretary

The intention is to make the first meeting of the PFC relatively straightforward given the new membership, with the officers and advisers providing more explanation on the content of the standard reports.

6. WORKFORCE UPDATE

The Board Secretary provided an update on the pensions team. Flintshire County Council have not yet produced a new working policy, although it is expected that this will involve hybrid working with some time spent in the office. The team is now starting to slowly return to working in the office.

It was noted that the pensions team has now moved from the second floor to the fourth floor of the council offices. The new area is set up to accommodate 50% of the pensions team, and there has been improvements in the amount of space for people in the office. There is also a meeting room at the offices, and it is hoped that future meetings of the Board can be held in person using this room.

The Chair raised a question around the impact of covid on the pensions team. The team has had some sickness but no material levels of absence.

7. PENSION BOARD EFFECTIVENESS SURVEY

Mr Emmerson gave an update on the survey, noting that Aon had received almost all of the responses. Aon are intending on doing the analysis of results shortly after they have received all the responses. It is intended that the results of this analysis will be presented at the next meeting of the Board.

Action - The Chair asked for everyone on the Board to complete this by 19th June 2022 if possible.

Board members

8. COMMUNICATIONS STRATEGY

The Chair introduced this and noted that the Board had an opportunity to provide comments on this before it went to Committee. The Board provided positive feedback on the strategy, with Phil Pumford noting it was hard to see how it could be improved.

The Chair noted that best practice is ensuring there is a range of communication options available to fit the diverse needs of the Fund's stakeholders as well as segmenting them to avoid a one size fits all approach. Making more use of technology can aid understanding, for example, short videos are generally found to be easier to digest than page of written information.

Mrs K Williams noted that her team was monitoring the impact of cost of living on member options and discussing the need to tailor communications to ensure that the value of the scheme was clearer to members. Elaine Williams agreed that for many people the value of the scheme wasn't well understood, discussing that some younger members do not always realise that the employer contributed to the Fund.

9. 2022 ACTUARIAL VALUATION

Mrs Fielder noted that the actuarial valuation was still on track with the finance and administration teams having key milestones coming up.

An initial meeting with the section 151 officers of the three Councils had included communication of the Fund Actuary's initial thoughts on the expected results, which was that the position had not worsened as much as expected given recent increases in inflation. The Fund will be holding further meetings with the three main councils in due course to discuss levels of employer contributions and there will be opportunities for discussions with higher and further education employers and other employers in due course.

Mrs Fielder also explained that whilst there may be welcome contribution reductions for some employers, this causes issues around cashflow for the Fund, which have to be proactively managed. There is a concern that the loss of the deficit contributions may change the Fund to be cashflow

negative. The Board asked for an update at a future Pension Board relating to how cashflow is managed.

There was a short discussion about how member pay awards which were retrospectively applied will increase the workload of the Administration team.

Action - Mrs K Williams will be asking employers to provide an update if any pay scales will be retrospectively applied to 1st April 2022 so that her team can plan this into their workflow.

Mrs K Williams

10. ADMINISTRATION UPDATE

The Chair invited Mrs K Williams to provide the administration update. Mrs K Williams highlighted that a considerable amount of work had been done over the last quarter due to the ongoing projects as well as pension increases and recalculating benefits due to backdated pay awards. However, despite this large amount of work, the team has managed to deal with the additional work as well as mostly maintaining their prior standards.

Mrs K Williams explained that on Member Self-Service (MSS) there had been a bulk communications exercise for pensioners who hadn't signed up for either paper or MSS communications. This exercise had seen around 4,000 new communications preferences being declared which was a positive outcome. 1,000 of these had now registered for MSS. The team next intends to reach out to the deferred members. Elaine Williams was pleased to see that members had the option between paper and MSS, noting that many pensioners still wanted paper information and that communications did need to be tailored to each group. The Chair asked whether there was a large proportion of deferred members with missing addresses but Mrs K Williams confirmed it was not significant and they now carry out regular tracing exercises.

Mrs K Williams covered the KPIs particularly noting that she had expected the KPIs to reduce this month due to the increased levels of work but was happy to see that the KPI's had not fallen as much as expected. The Fund is receiving more retirement requests, which is affecting the workload of the retirements team, in addition to the backdated pay award matter.

The Chair asked whether there were any specific areas of data quality which needed focus on. Mrs K Williams noted the

Fund needed to speak to employers about considering the number of casual records they are retaining on the system.

Mrs K Williams also provided updates on the resourcing requirements of the administration team; the employer performance reports – noting conversations with “issue” employers will commence soon. The backlog of deferred calculations has reduced significantly, and the team continues to work hard to reduce the overall number of outstanding cases. She also confirmed there had been no pension scams and shared new website analytics, noting the very small proportion of members using the Welsh language website and so this may need to be promoted further.

11. MCCLOUD REMEDY PROJECT

Mrs K Williams provided an update on the McCloud project. Generally, the project is on track, but there is a concern that if the Fund does not receive the employer data soon then the Fund will fall behind on the project. The Principal Officers of the Employer Liaison Team and McCloud project are speaking to employers to understand where the issues lie to try and get the data as soon as possible.

The Chair noted that the deadline for validating the data was the end of August which was fast approaching. Mrs K Williams agreed there was a risk that this would be missed.

12. COMPLIMENTS AND COMPLAINTS (INCLUDING IDRP)

Mrs K Williams noted there was a complaint and discussed how the issue had arisen. The complaint has now been resolved. It was considered a one off and feedback has been provided to the team members who were working on this. The Chair commented that this complaint was a surprise because the Fund receive so few complaints.

Mrs K Williams confirmed there had been compliments but a formatting issue had meant they were missed from the update.

13. BUSINESS CONTINUITY & CYBER

Mrs K Williams discussed the positive progress with Flintshire County Council to determine how the remaining questions for the cyber security review would be completed. A meeting is being scheduled to deal with the final questions and it is hoped that this review will have been completed by the next meeting of the Board.

Mrs K Williams comments that care is being taken when drafting the cyber security hygiene guidelines and Incident response plan to ensure that these fit both with the Fund's needs and with Flintshire County Council's policies. In particular, the officers want to ensure that they are not taking on responsibility where another person within the Council currently has responsibility.

It was noted that good progress is being made on the cyber security work.

14. ASSET POOLING

The Board Secretary discussed the Asset Pooling paper to be presented at the Committee meeting. They noted that the Wales Pension Partnership (WPP) business plan has been agreed and that both the Board Secretary and Mrs Fielder were happy with the content of this plan.

It was also pleasing to see that scheme member representatives have now been appointed to the JGC. It was noted that there was both a main representative and an alternate to ensure that a member could be in attendance at all JGC meetings.

Mrs Fielder updated the Board on the recent asset allocator appointments and the progress with the Private Equity allocator appointments; she has been involved with all of these procurement exercises. It has also been written into the tender for these allocators that the chosen organisation will have a remit for looking at local and impact investments for Wales.

There was also a discussion about the pooling guidance and how this might affect the Wales Pension Partnership, and the procurement of the Operator.

Mrs Fielder also noted that the budget for the Responsible Investment (RI) group has increased, as Hymans Robertson are providing a dedicated resource to help improve the quality of reporting and information relating to RI for the pool. The Board considered this a positive step.

15. RISK REGISTER

The Chair provided a brief overview of the changes included in the latest risk register. Board had no further comments on this area.

16. BREACHES LOG

As there was a large number of new breaches, Mrs Fielder provided an update on the breaches log. Most of the new breaches relate to delays in receiving remittances rather than delays in receiving payments. Many of these new breaches have now been resolved.

17. UPDATES FROM RECENT EVENTS ATTENDED BY BOARD MEMBERS

The Chair provided an update on the WPP Pension Board Chairs' meeting. They noted that this was a positive meeting but, as expected, WPP were not able to provide any more detail on the Link sale or Woodford case.

The Chair also attended the CIPFA Pension Board annual conference. This was particularly investment and valuation focused this year, with technical details around these topics, which are not strictly within the remit of a Pension Board. However, there was a good presentation on cyber, which highlighted to the Chair how advanced the Fund was compared to many other LGPS funds.

18. CONSIDERATION OF 16th MARCH 2022 COMMITTEE PAPERS

The Board had no comments on this area.

19. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

It was agreed to feedback at the Committee that the Board are very supportive of the proposed Communications Strategy.

The Board also agreed that they are supportive of the changes made to the risk register reflecting the risks from the change in Committee membership and are keen to see how the training programme develops for these new members.

20. FUTURE WORK PLANS

The Board noted the items on the future work plan.

The Chair asked for an agenda item to be added to the next meeting of the Board to discuss the monitoring of cashflows.

Action - Add management of Cashflows to future agendas

Board Secretary

21. PENSION BOARD BUDGET

Mrs Fielder provided the final outturn on the Board's budget, which noted that the Board had slightly overspent against the budget. It was noted that the reason for the change related to the fees for external parties providing training which had originally been underestimated.

22. PENSION BOARD REPORT

The Board agreed that the Chair would draft the annual Pension Board Report, and

Action: The Chair to draft the Annual Report and Mr Emmerson will provide this to the Board in early July for comment.

Chair & Mr Emmerson

23. FUTURE DATES

The Board were asked to note the proposed dates relating to future meetings as follows.

- 30th September 2022
- 1st March 2023
- 27th June 2023.

The Board were further asked to note other meetings and training including the PFC's on 15 June and 31 August and essential training on 24 August and 5 October.

The Board were reminded to let Mrs Fielder know of events they have enrolled on and attended so that they can be recorded on Training Log.

Action - Board members to share attendance at events with Mrs Fielder.

Board members

24. ANY OTHER BUSINESS

The Board agreed that a single pack of papers was preferable to receiving all the papers separately.

Action - Mr Emmerson to provide the pack as a single document in future.

There was a discussion about the timing of Board meetings in relation to Committee meetings, and the general consensus by the Board was that the timing should be driven more by what worked best for the officers from a work management perspective.

Mr Emmerson

DRAFT

Summary of Effectiveness Survey

Tudalen 291

Clwyd Pension Board



Prepared for: Pensions Board of the Clwyd Pension Fund

Prepared by: Aon

Date: 26 July 2022

Summary of Members' key concerns

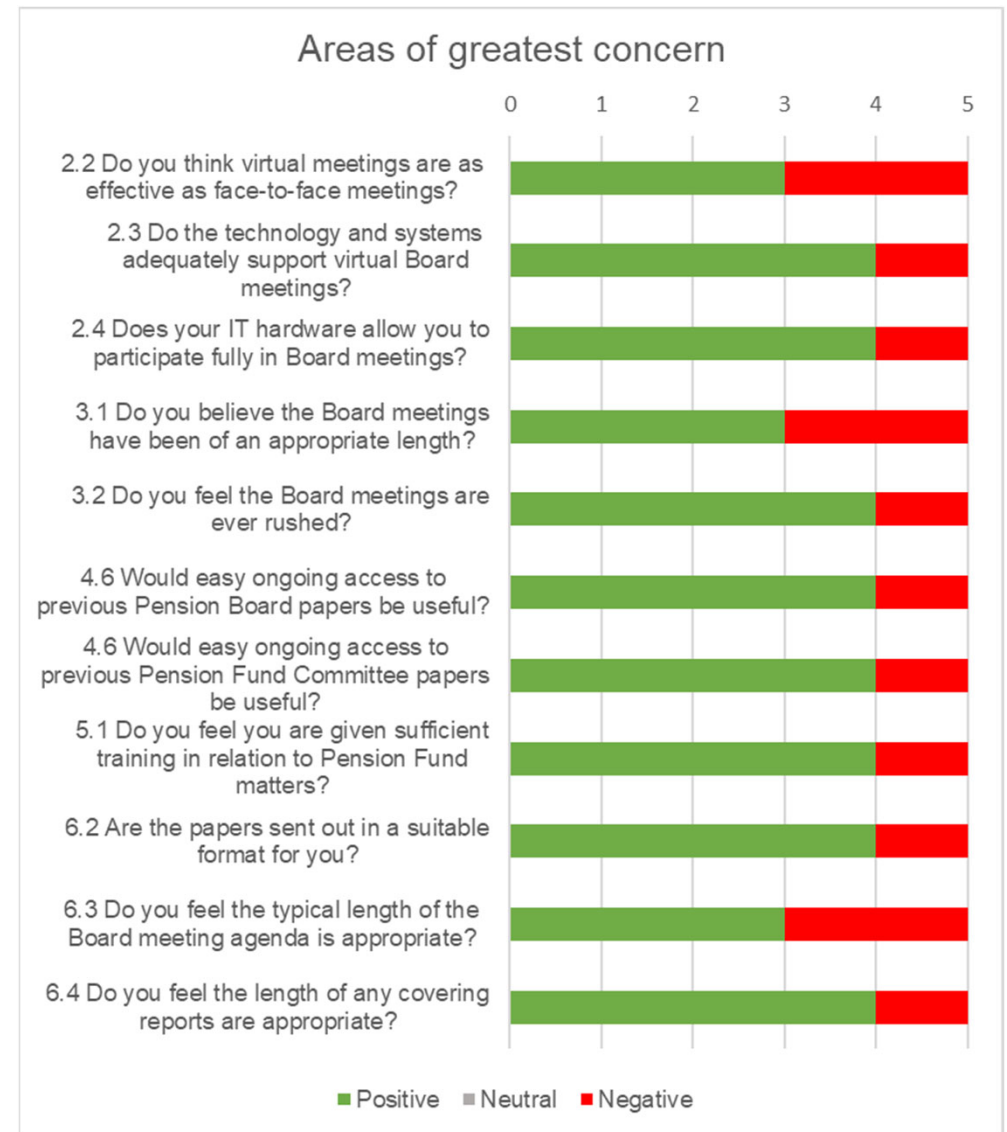
- Generally the survey results are positive about how the members find the Pension Board operates.
- In most areas the members have no or very little concern, but we have shown the areas where members raised concerns.
- The biggest area of concern is around virtual meetings and training sessions, which some members do not feel work as well as face to face meetings, although one member was clear that they wished to retain hybrid Pension Board meetings.

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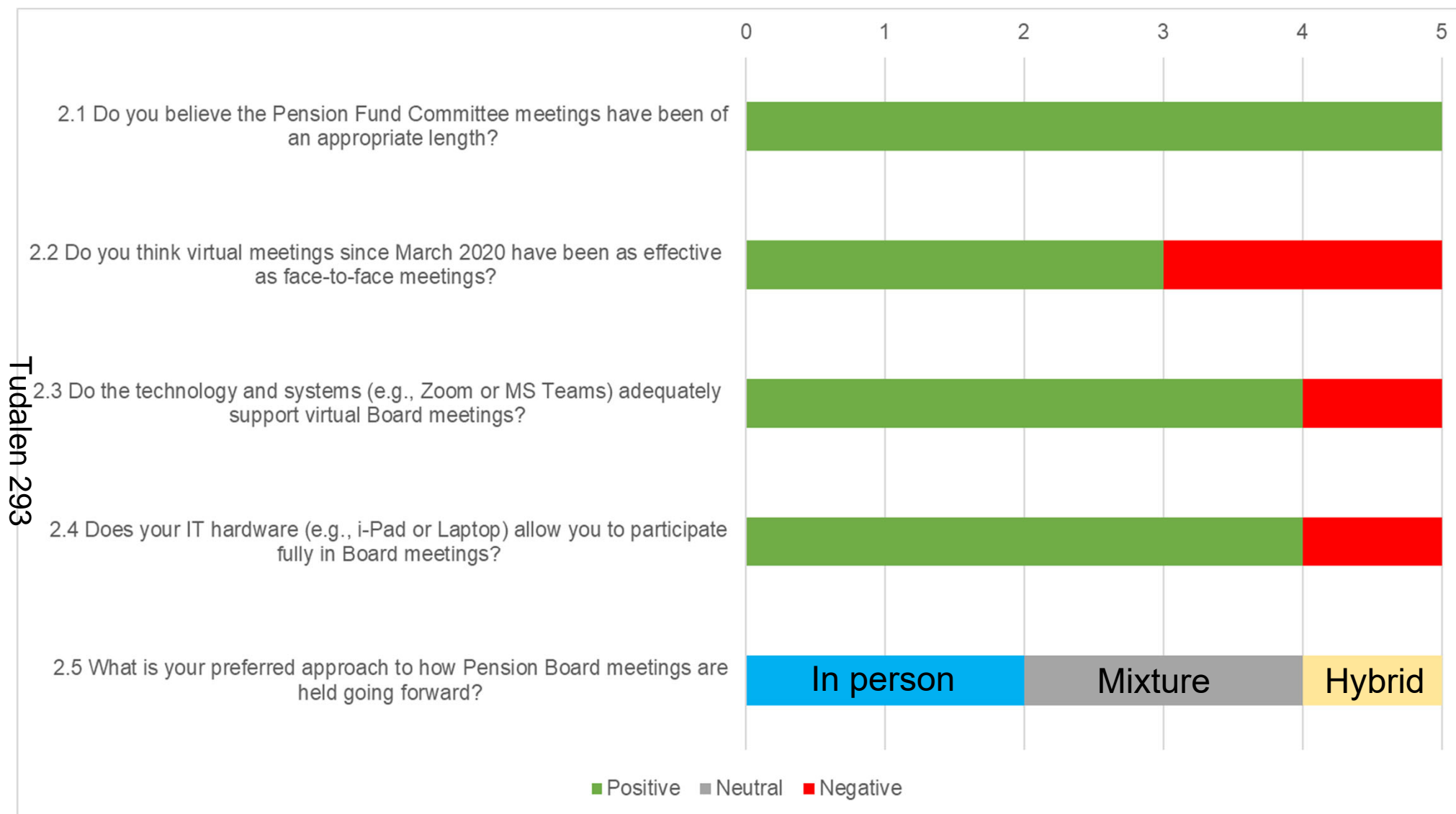
There are also concerns around the length of meetings and the size of the agenda for each meeting. It may be worth considering increasing the number of meetings to cover the current annual agenda.

There was also a comment that more “exception” reporting could be done to keep the meeting length shorter.

- There was one member who felt that whilst the training received by the Board was very good, there were a small number of areas where additional training could be received.
- Finally, there is one member who cannot easily find the Pension Board information, especially as email systems can sometime block the large meeting packs. Their suggestion was the use of a Committee Administration style system to retain all current and past Pension Board papers and minutes.

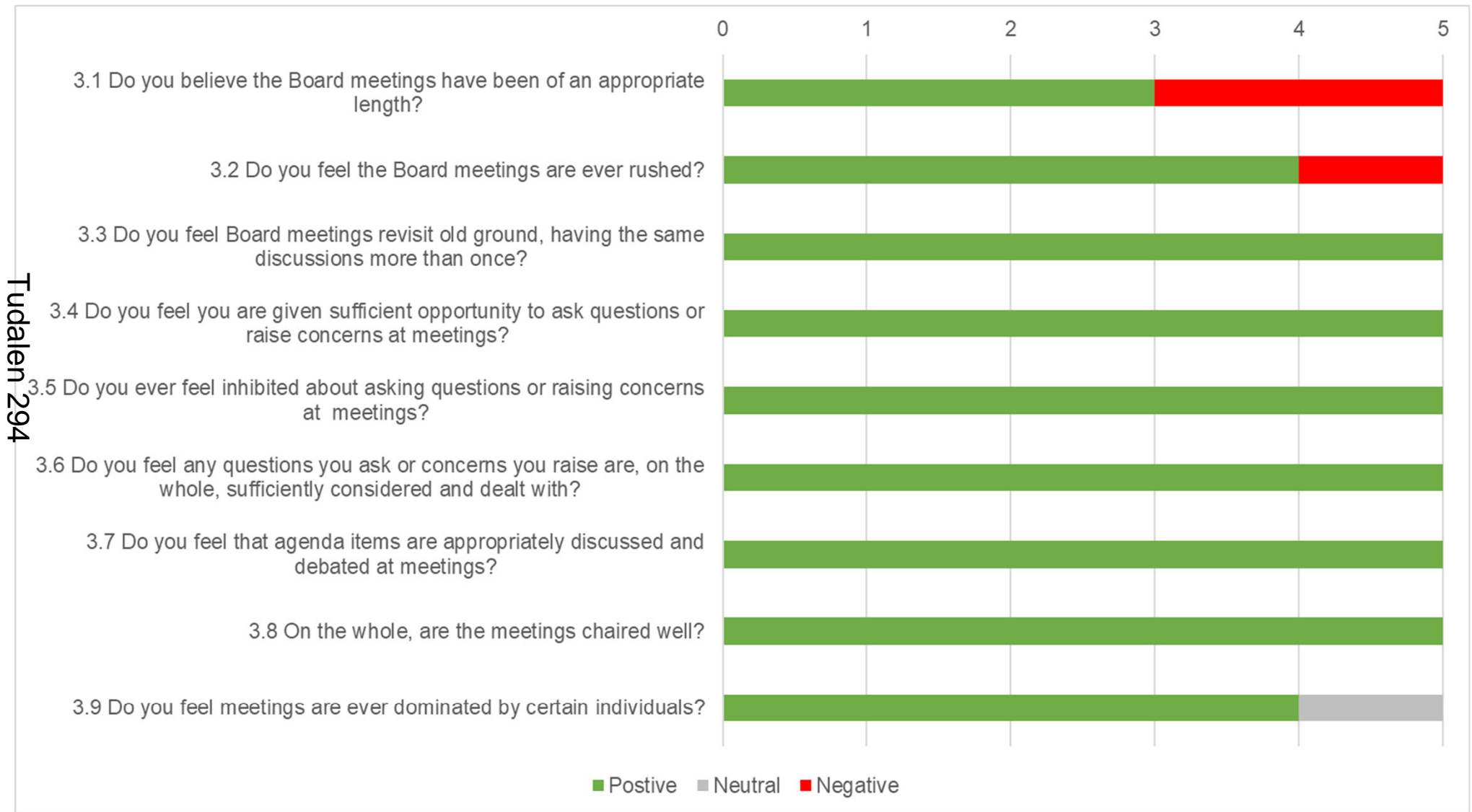


Effectiveness of meeting format



Question 2.5 is asking for members' opinion and so cannot be assessed as either a positive or negative answer. We have shown the answers given by the members instead. Two of the members noted that they would like a mixture of in person and virtual or hybrid meetings.

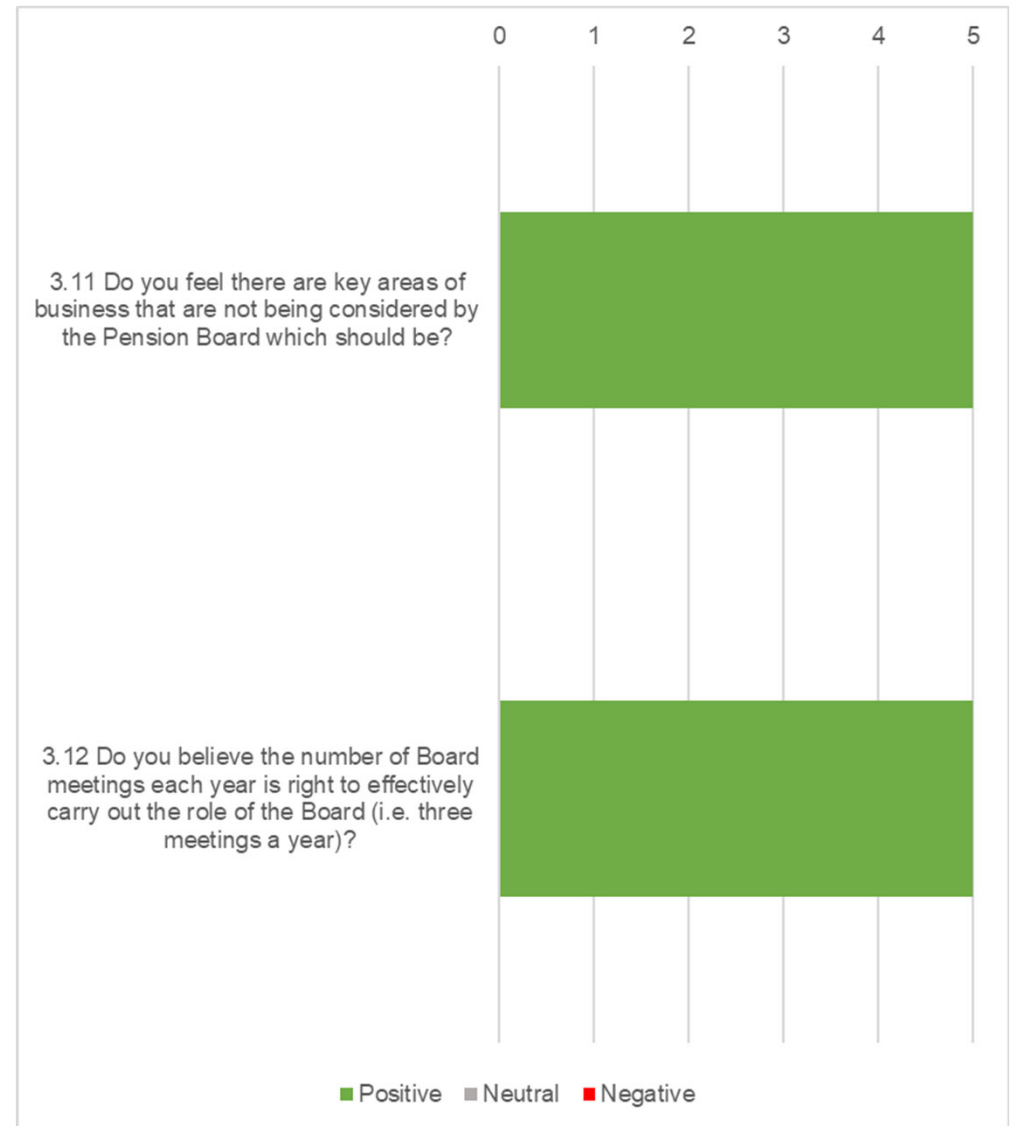
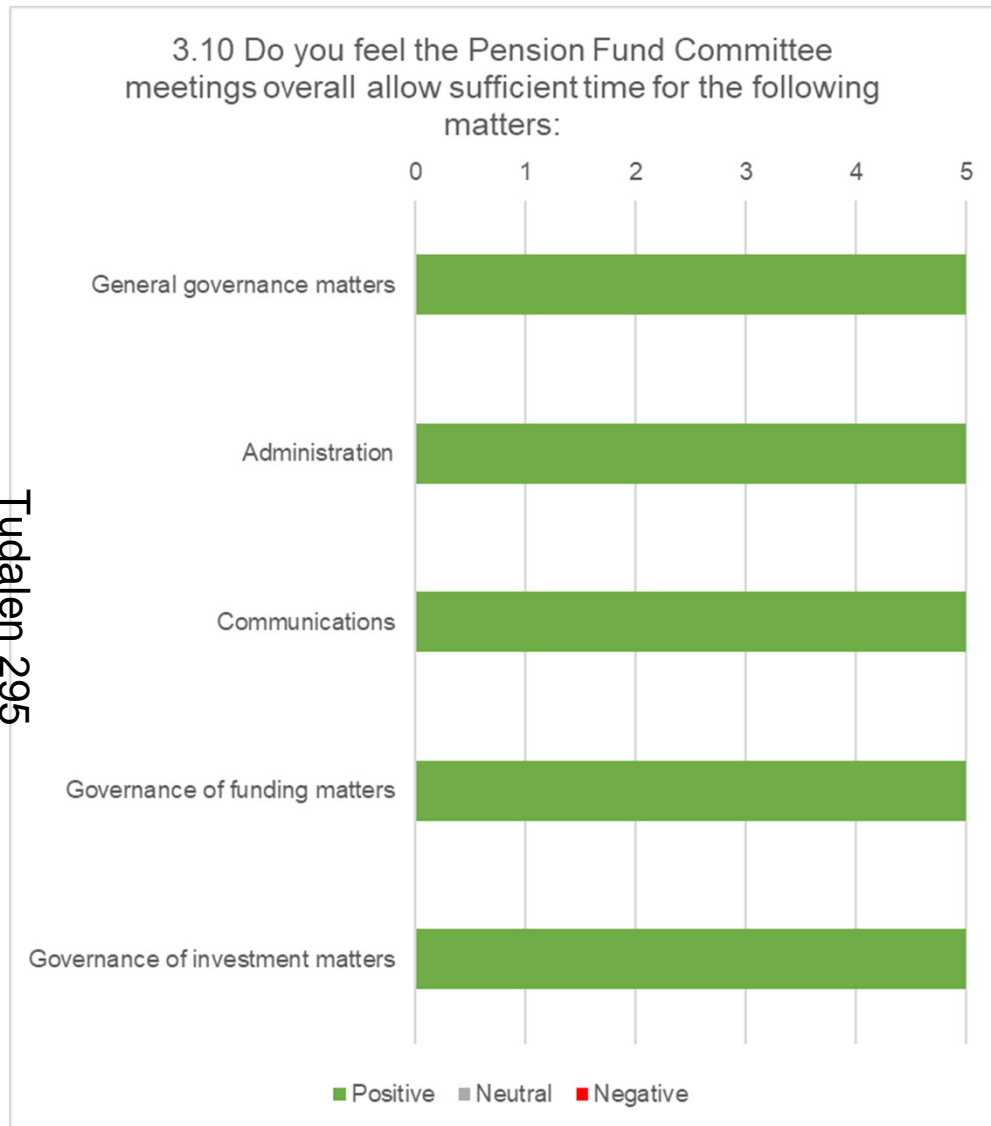
Effectiveness of meetings and decision making



Some member of the board feel meetings are too long and another says they feel meetings are rushed. It may be necessary to consider increasing the number of meetings in a year.

Effectiveness of meetings and decision making

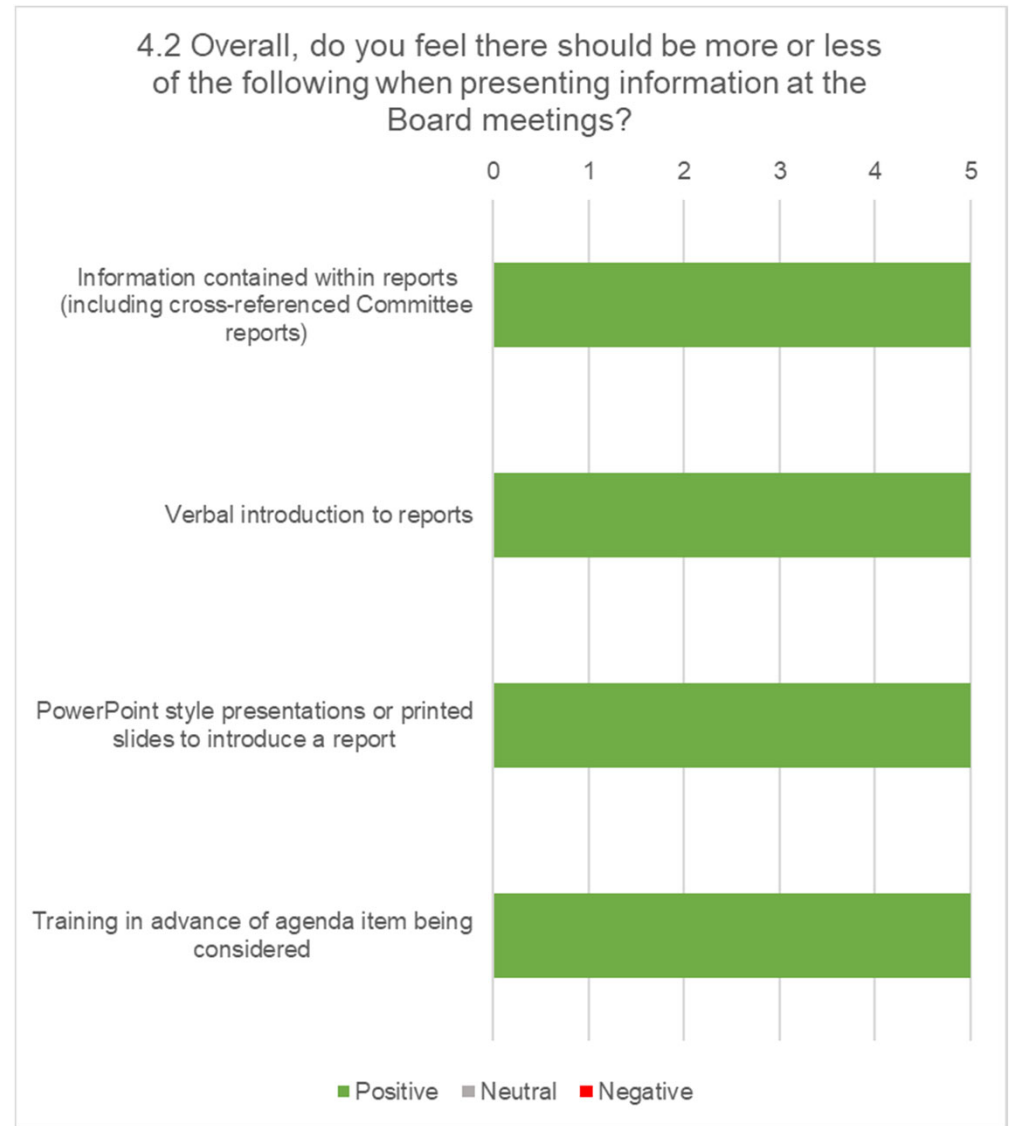
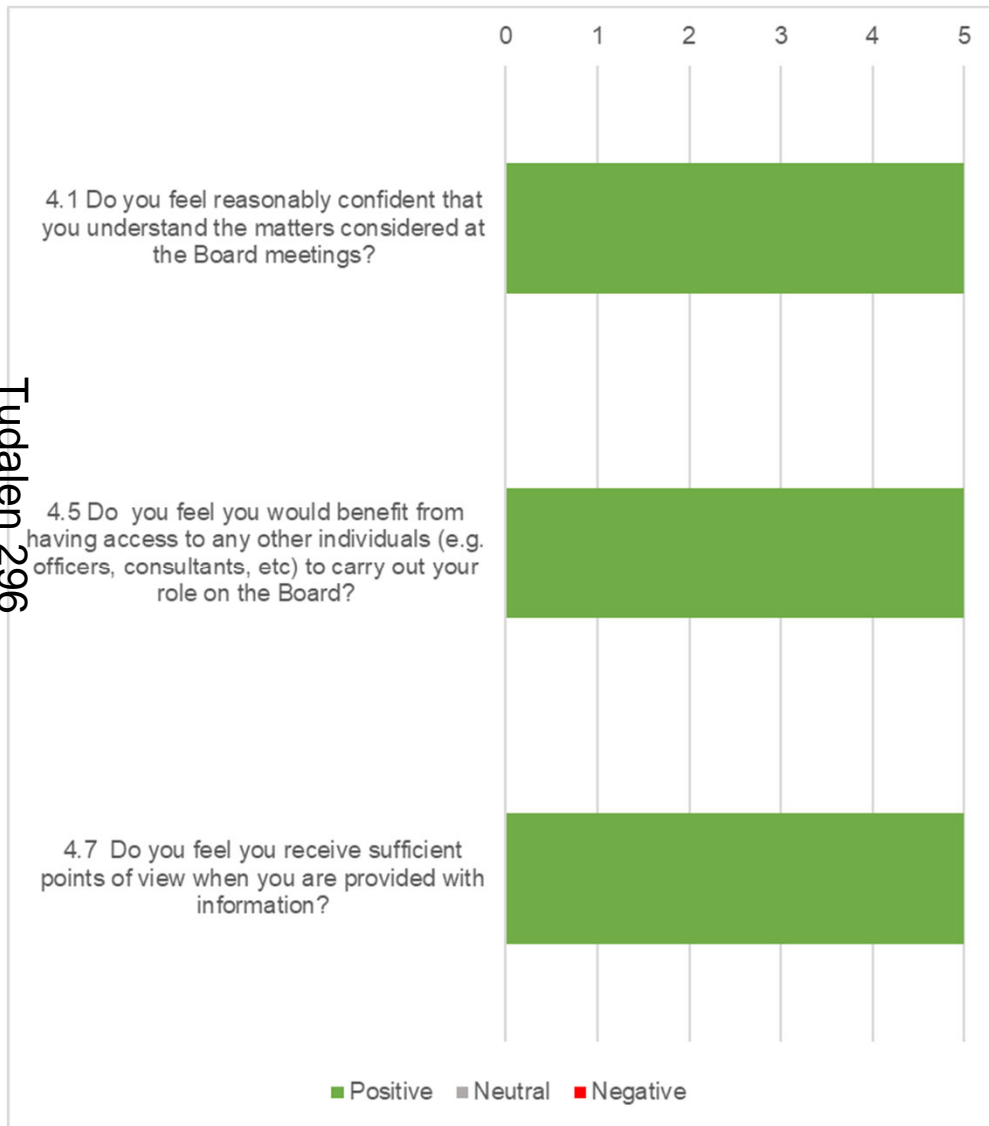
Tudalen 295



Within the comments for 3.12 at least one member noted that there may need to be more meetings each year, or wider use of a Task & Finish group.

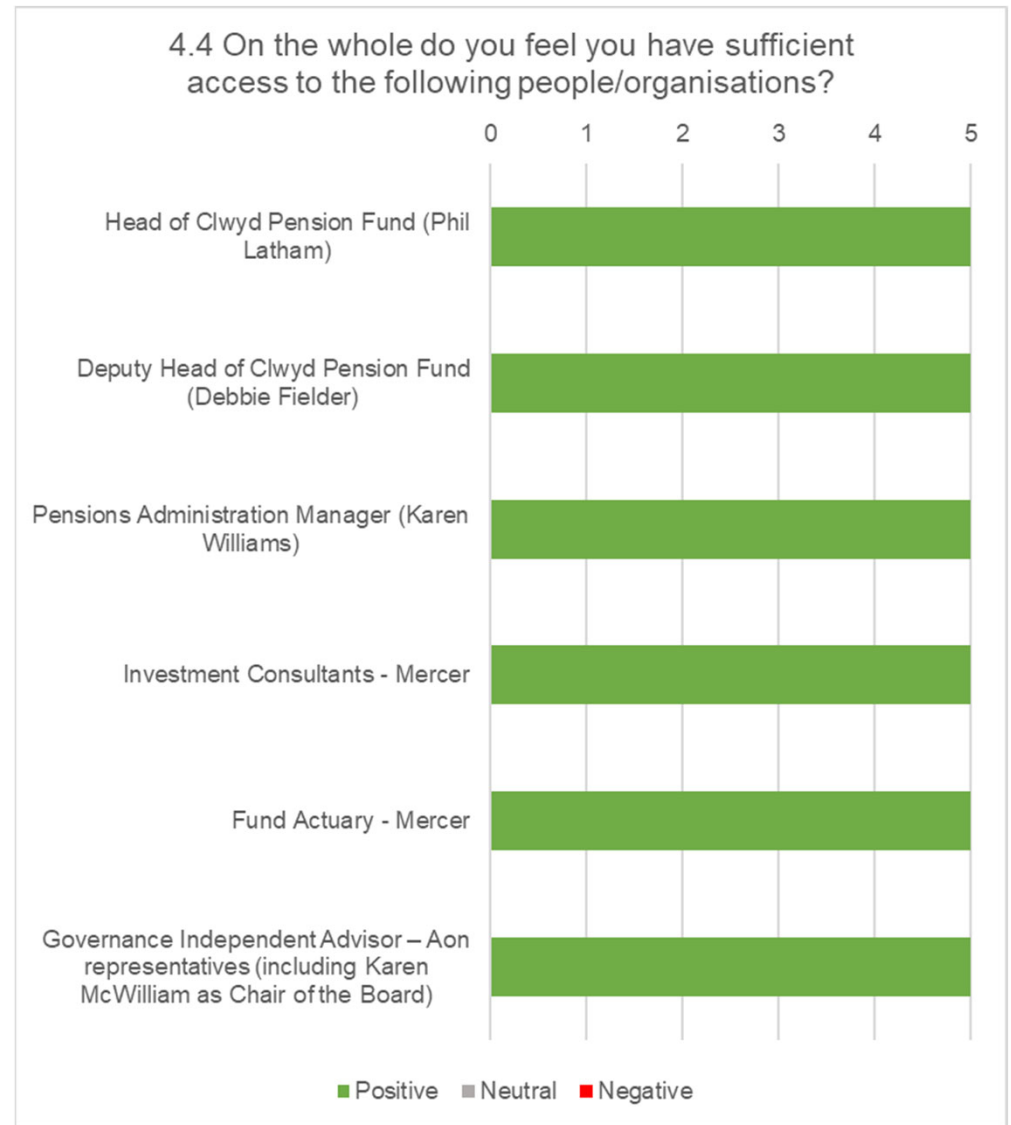
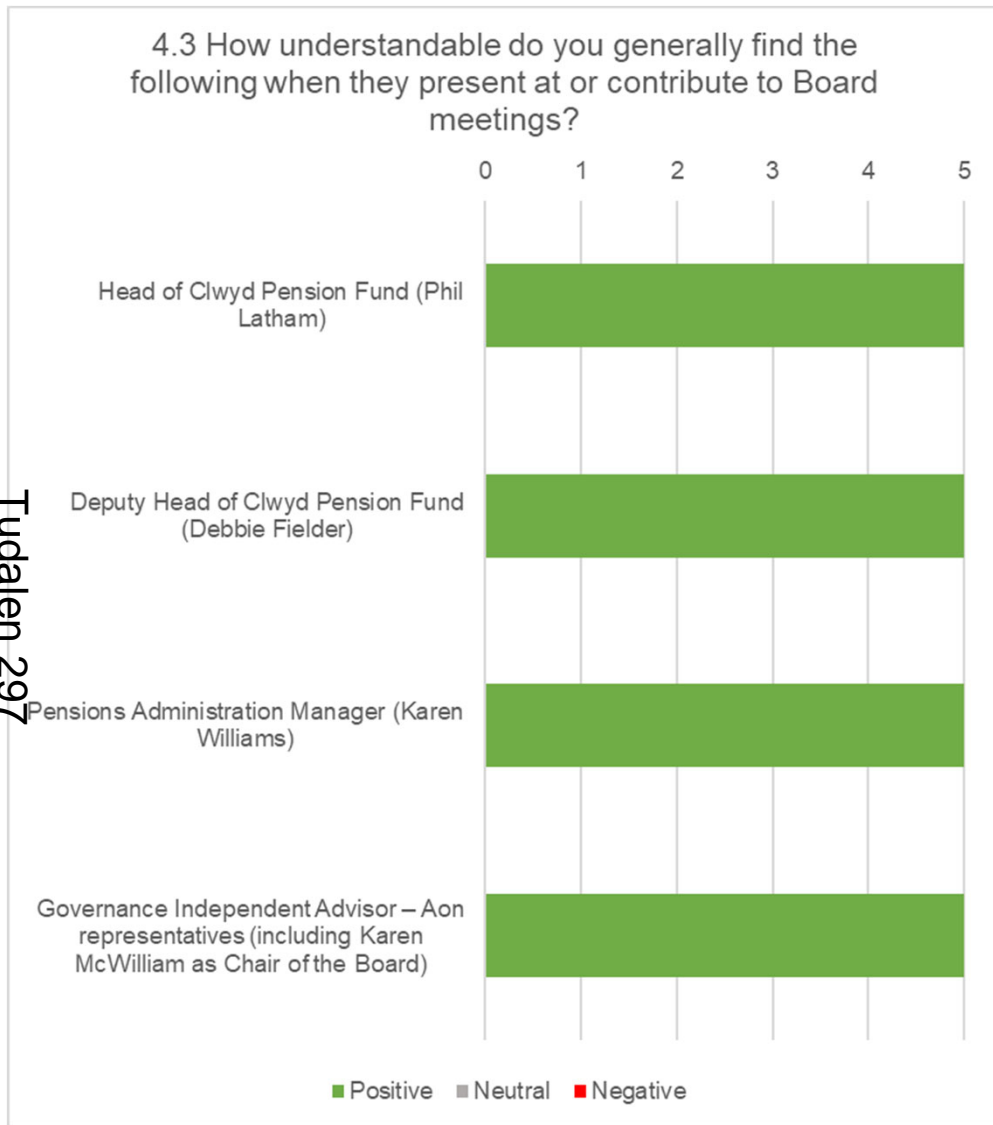
Accessibility, format and usefulness of information

Tudalen 296



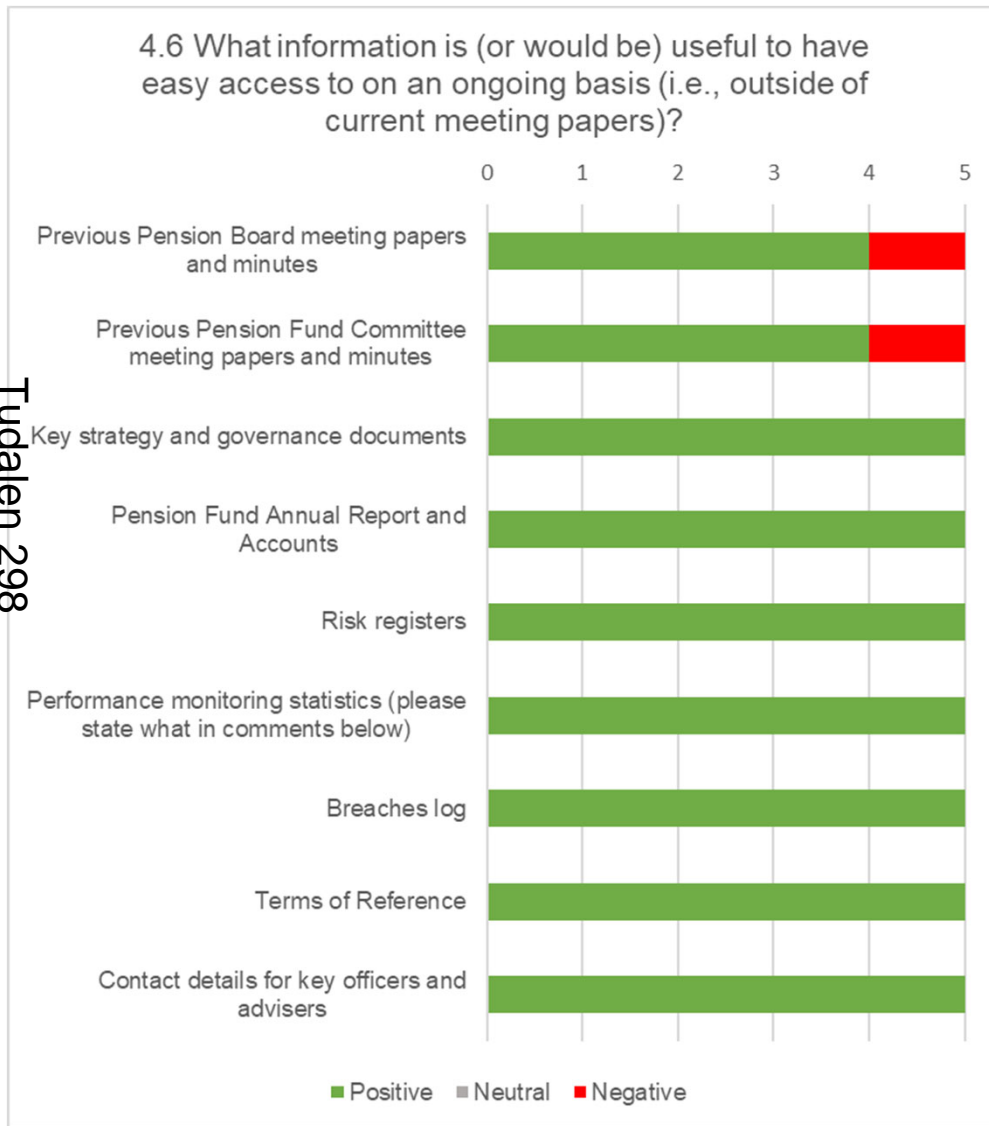
Accessibility, format and usefulness of information

Tudalen 297



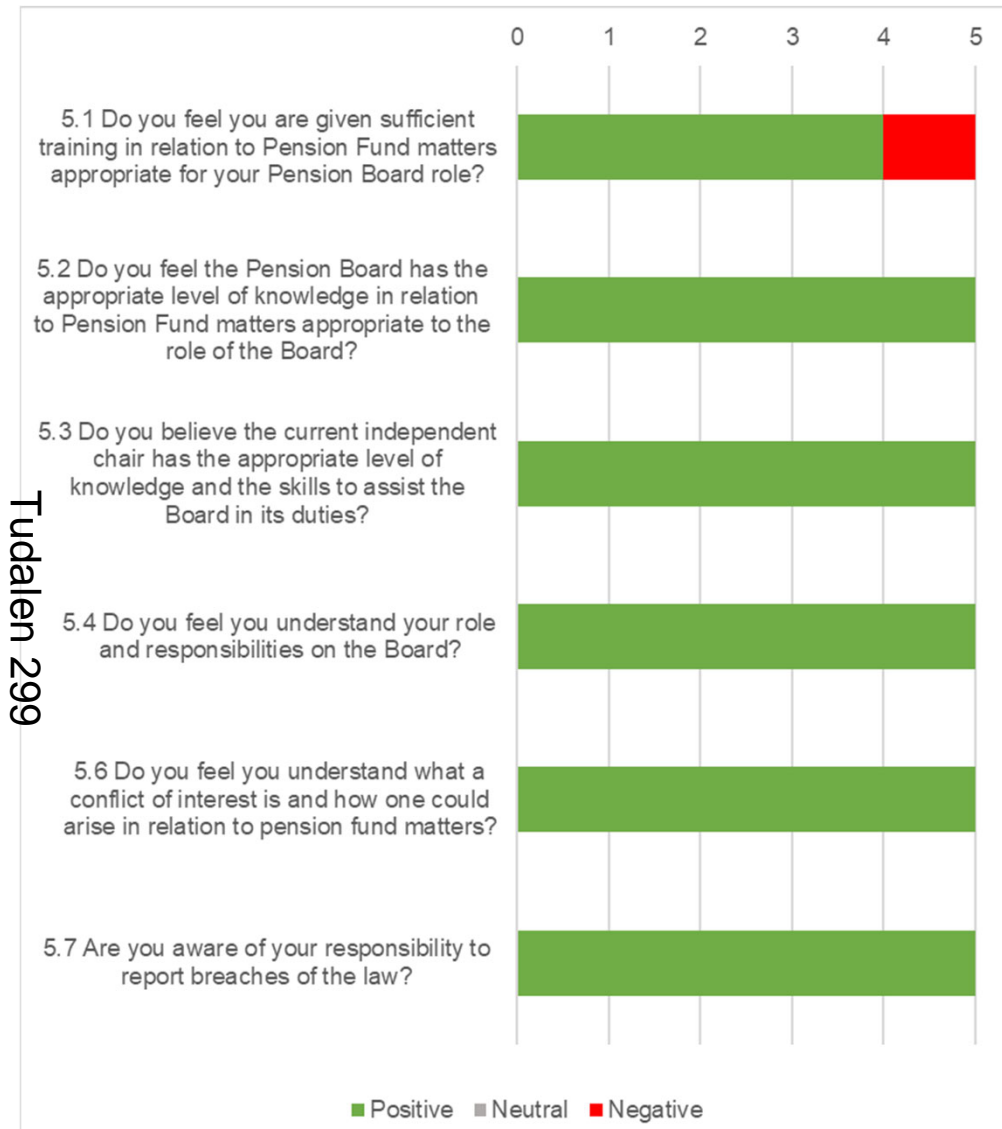
Accessibility, format and usefulness of information

Tudalen 298

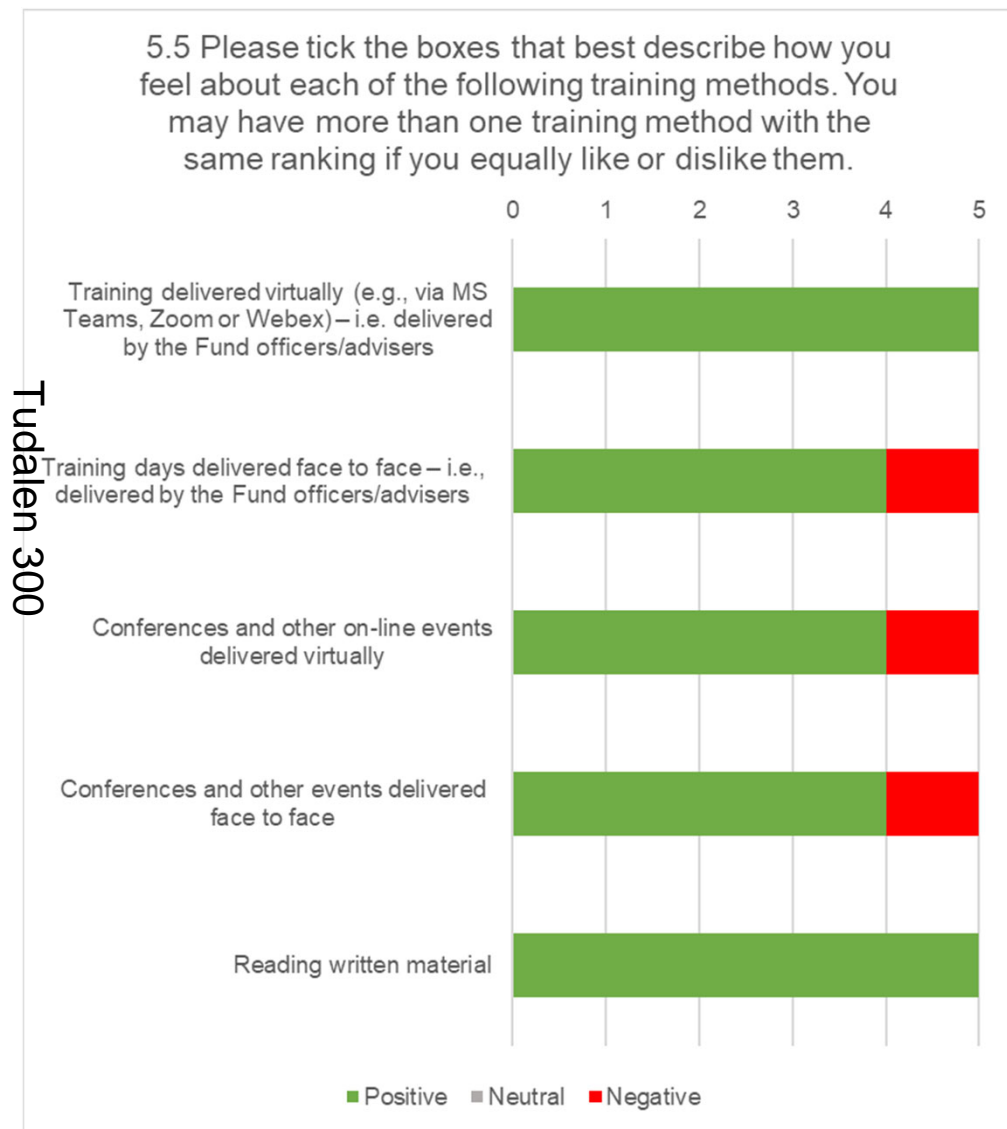


We recommend that you consider providing current and past information in a format other than email and letting members know where to find these. One member suggested a Committee Administration style system.

Knowledge, Skills and Understanding



Knowledge, Skills and Understanding



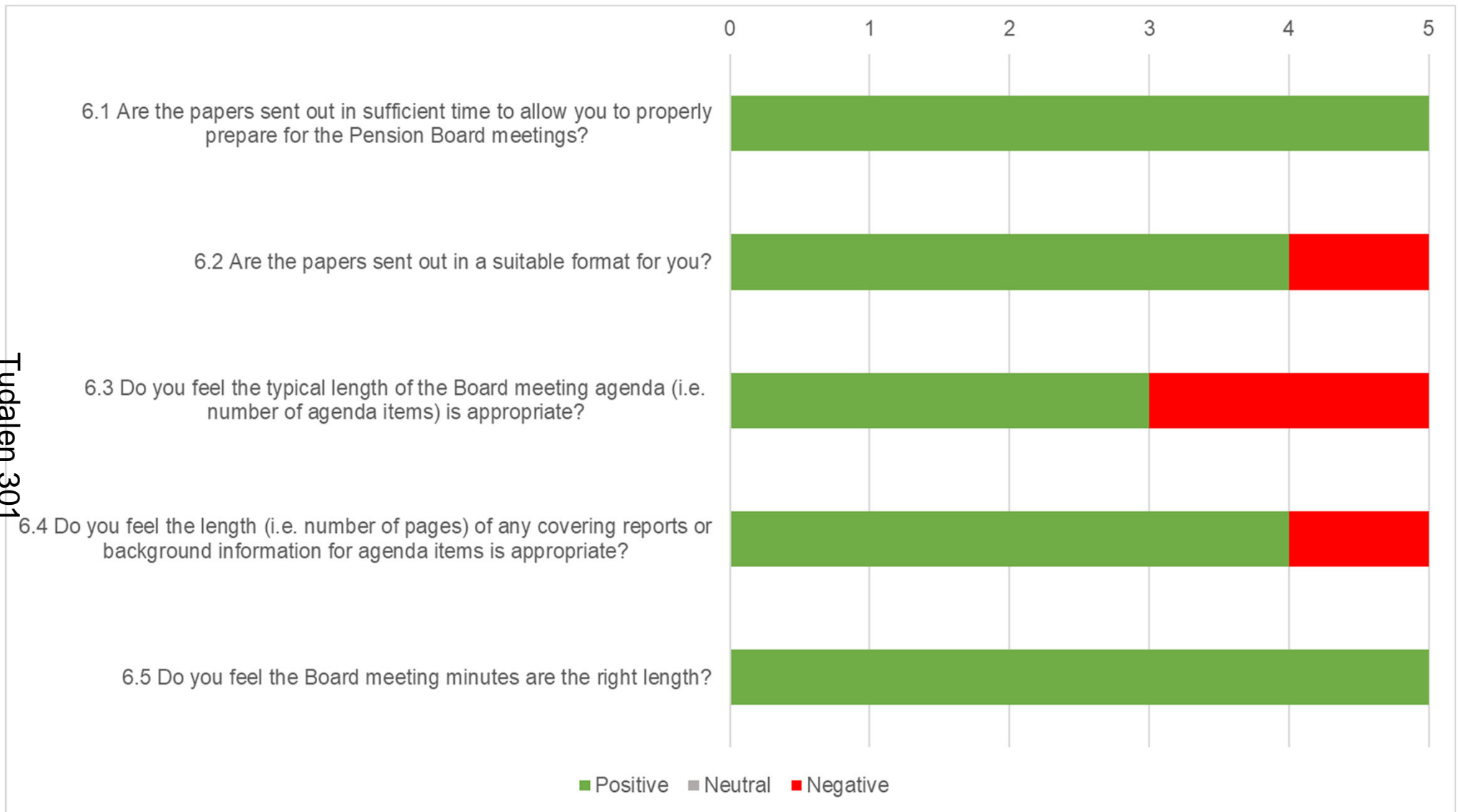
There is a mix of opinions, one member would prefer training to be delivered virtually, whilst another does not like virtual training.

There was also one member who noted that whilst they preferred face to face training, it may not always be possible to attend this sort of training and so virtual training can help with ensuring that the maximum number of people can attend.

The Fund should consider offering at minimum a hybrid training option for all essential training sessions to help with availability of members.

Administration of Meetings

Tudalen 301



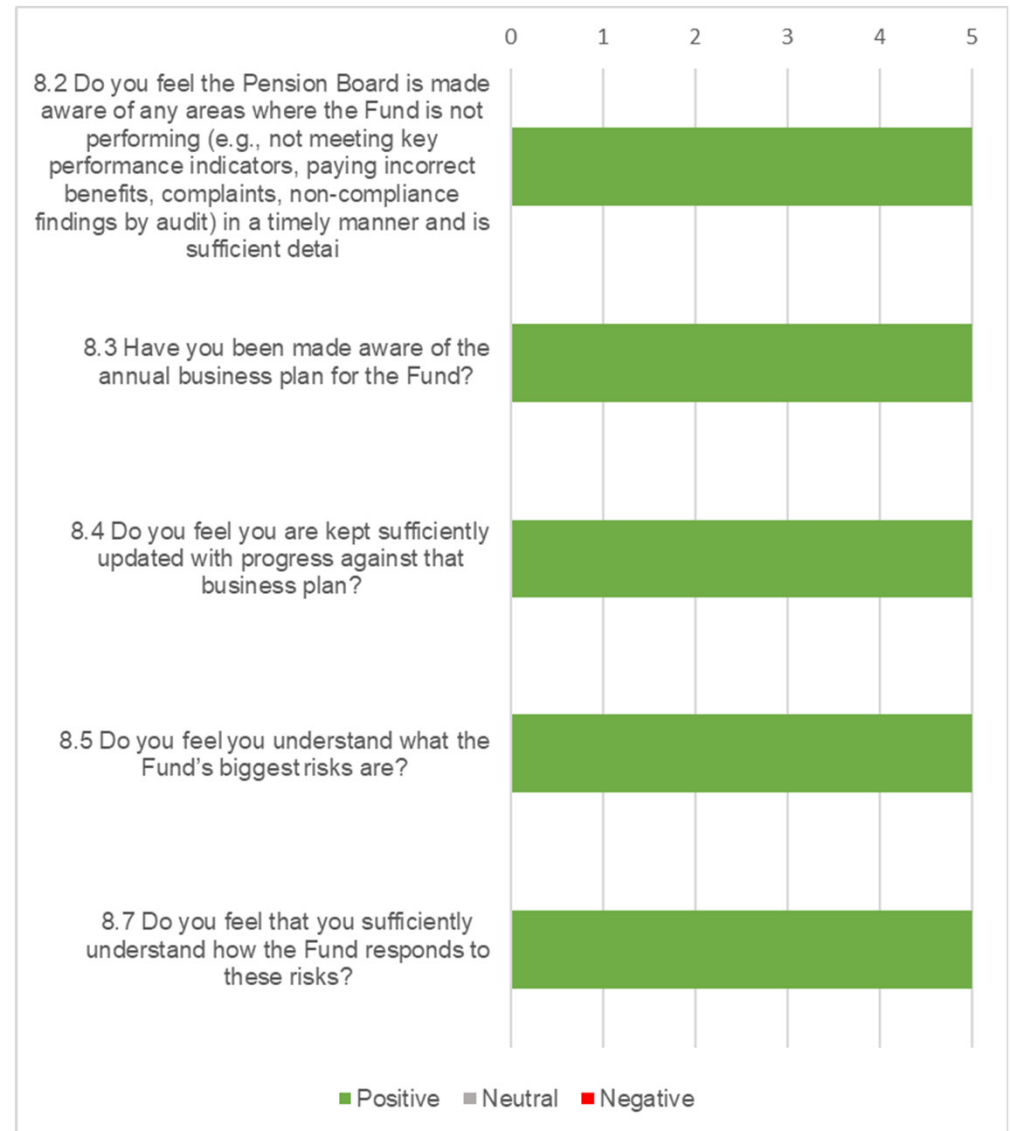
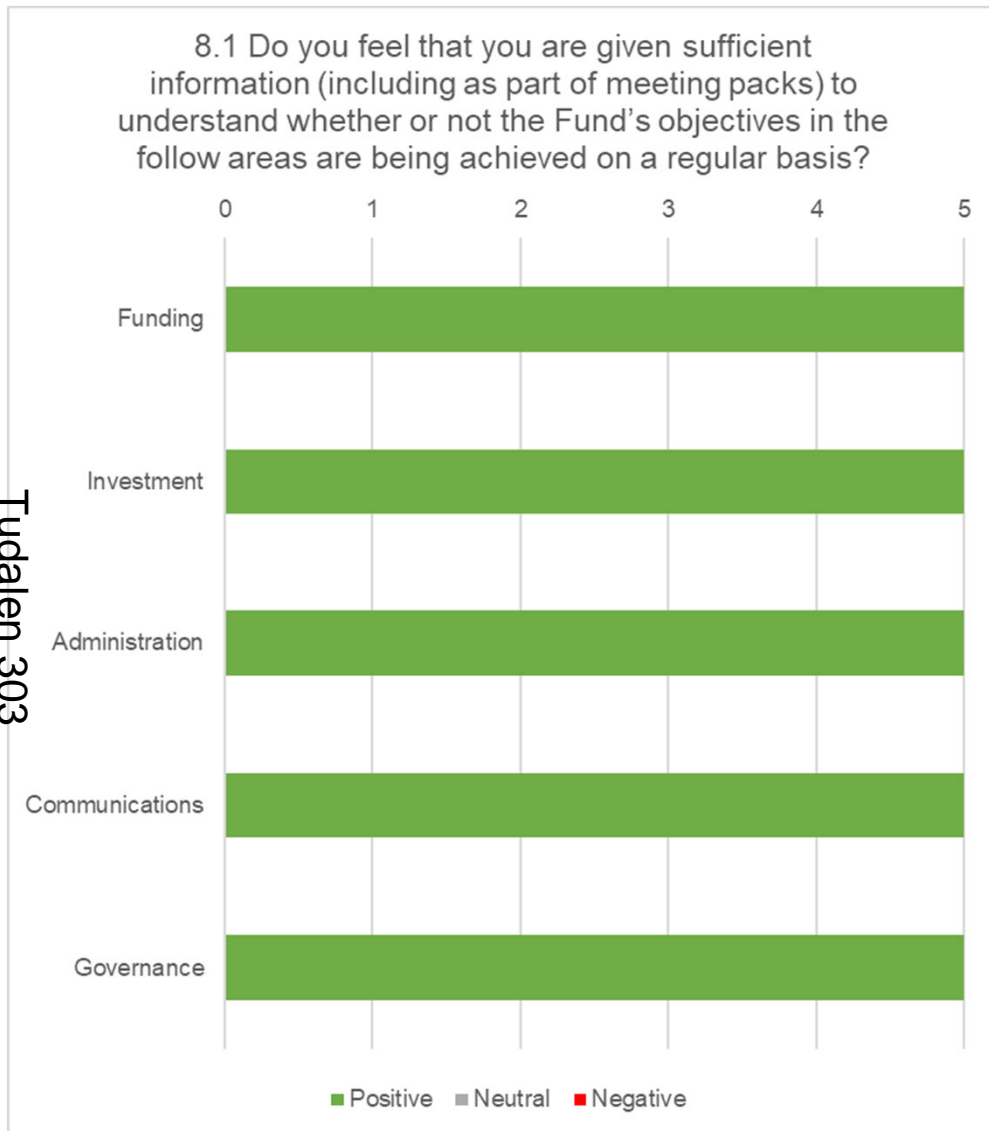
The negative answers to these questions indicated that the meetings were too long rather than too short, and that there could be more reporting by exception.

Governance Structure



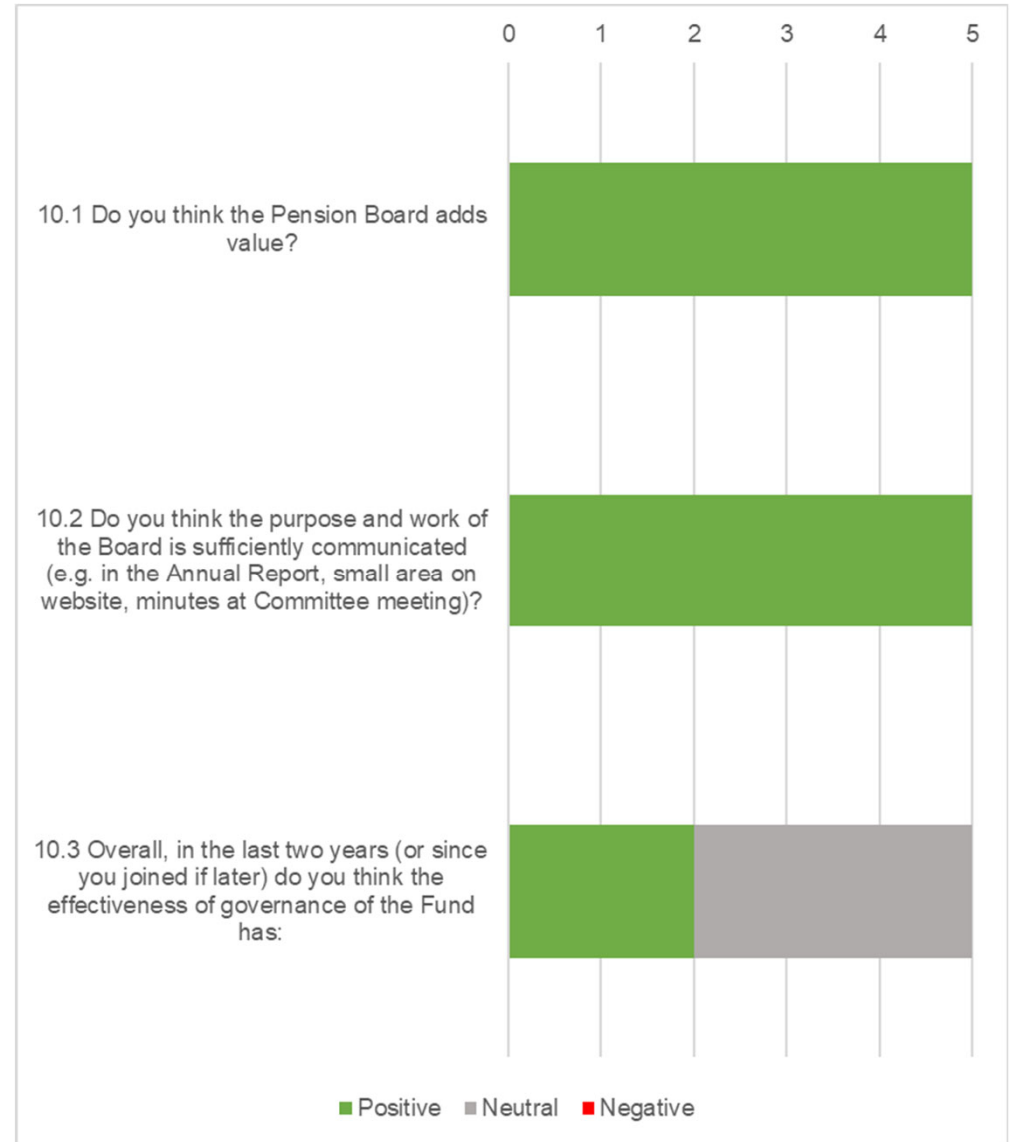
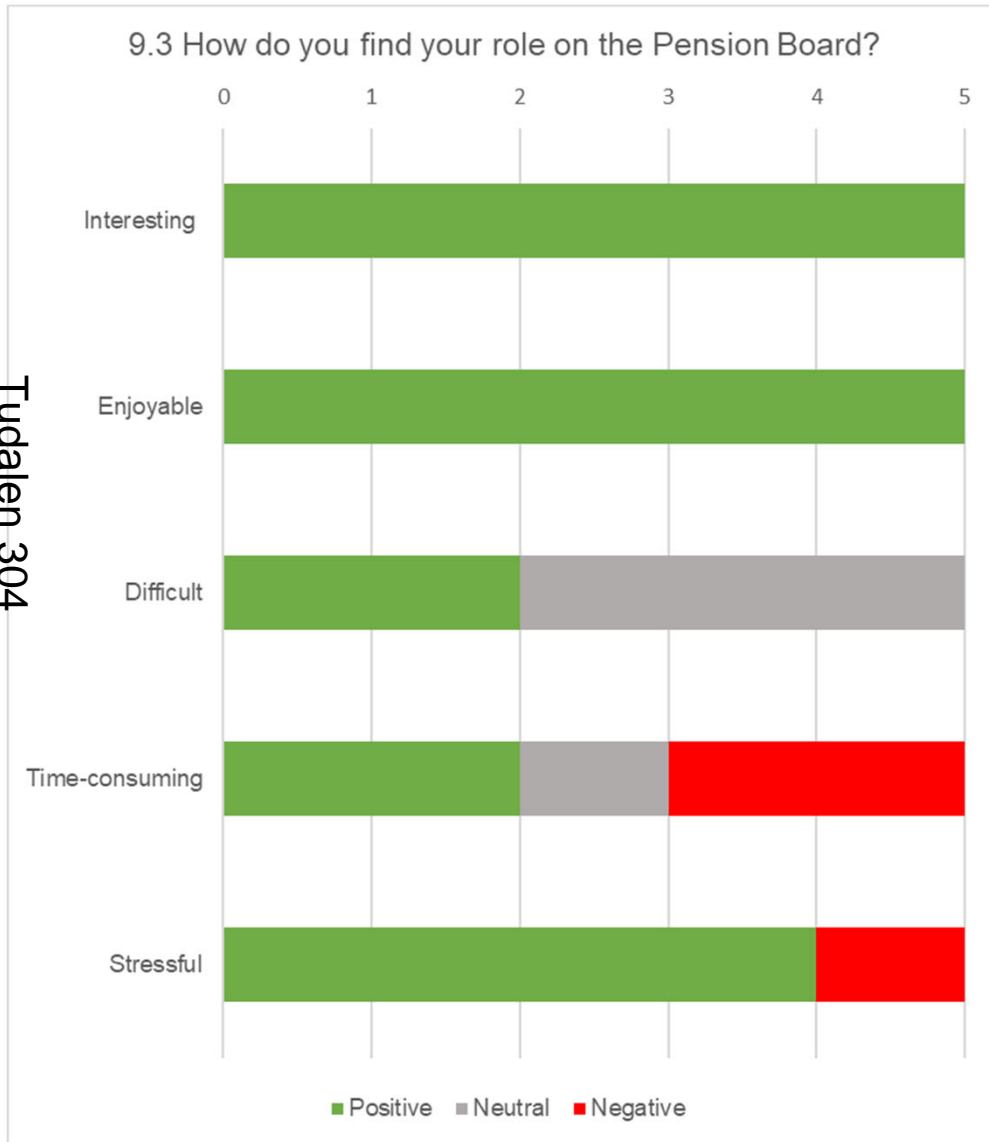
Compliance, Business Planning and Risk Management

Tudalen 303



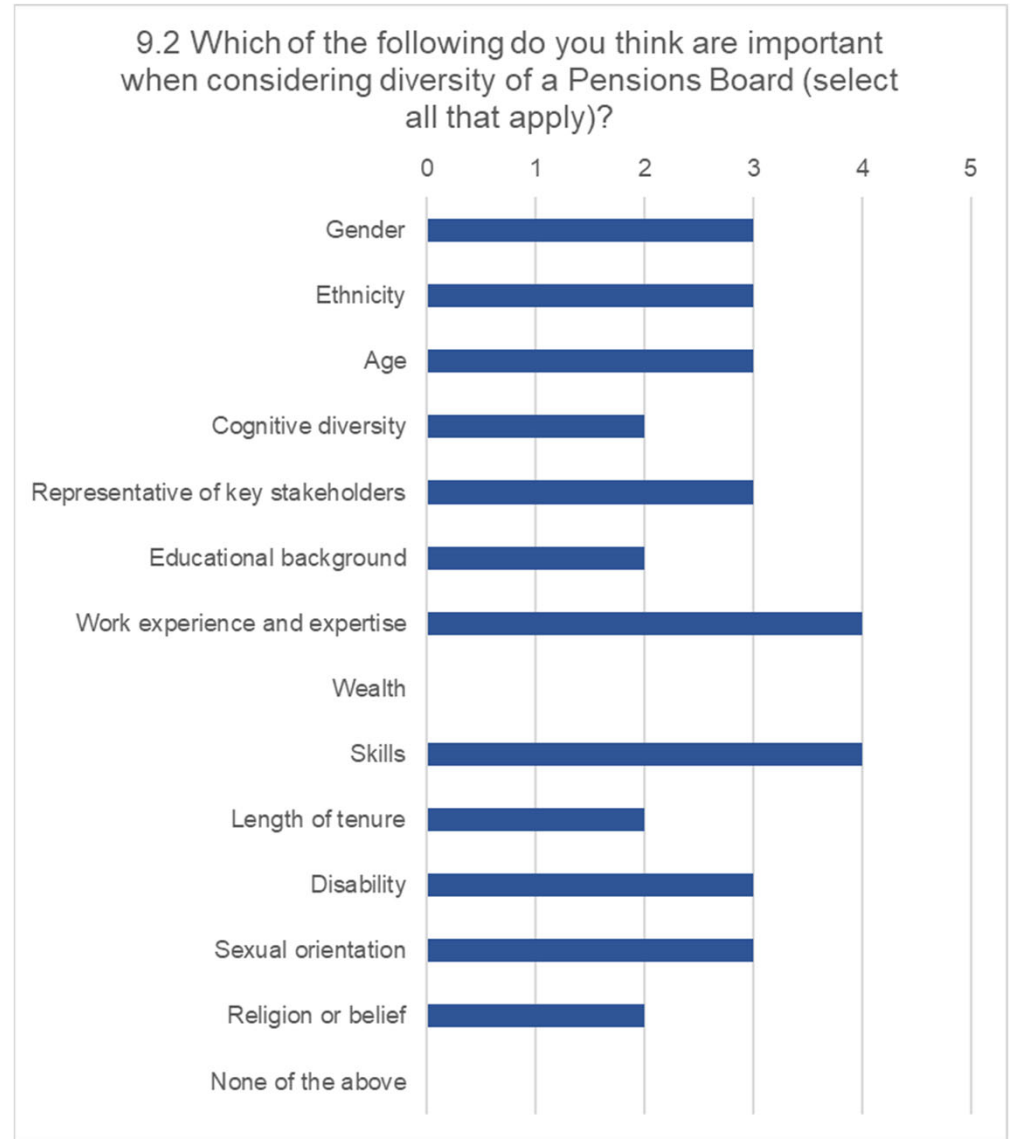
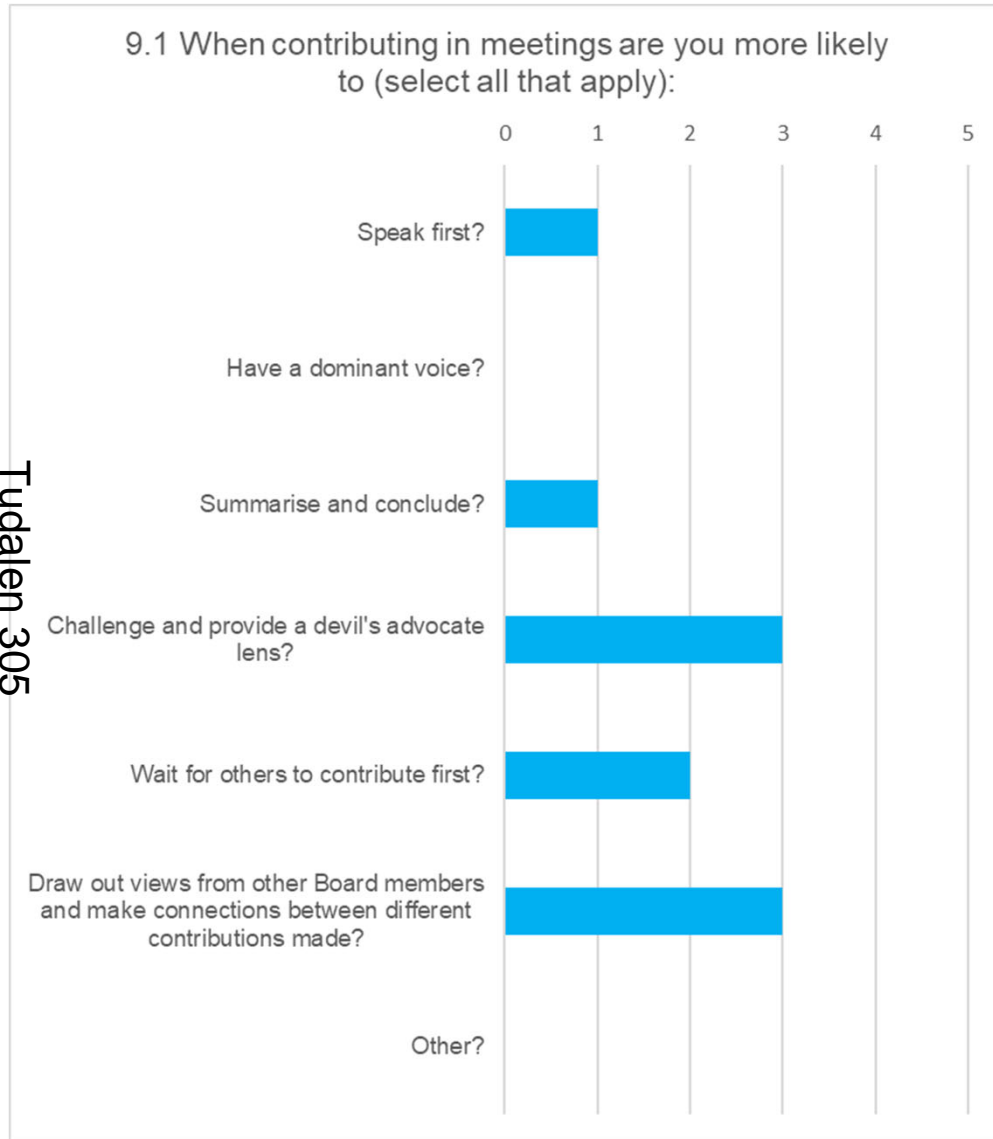
Summary and Final Comments

Tudalen 304



Diversity and Inclusion

Tudalen 305



Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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Clwyd Pension Fund responsibilities – proposed changes to FCC Constitution and Pension Board Protocol

Key to changes:

- New text to be added is shown in red and highlighted – **like this**.
- Existing text to be removed is struck through and highlighted – ~~like this~~.

**SECTION 6 -
THE LEADER' S SCHEME OF DELEGATION OF EXECUTIVE FUNCTIONS**

2021 Cabinet Political Responsibilities

Finance, Social Value & Procurement Cabinet Member: Cllr Paul Johnson
<ul style="list-style-type: none">• Medium Term Financial Strategy and Plan*;• Budget & Council Tax Policy*;
<ul style="list-style-type: none">• Budget Performance & Management*;• Revenue budget monitoring• Corporate Finance; performance and effectiveness• Treasury Management;• Strategic procurement• Procurement services• Clwyd Pension Fund• Capital programme• Capital strategy• Council Tax and Revenue collection• Prudential indicators• To oversee the delivery of the Council's strategy for Social Value.

SECTION 7

7. OVERVIEW AND SCRUTINY COMMITTEES

7.3 Role, Scope and Membership

The role, scope and Membership of the Overview and Scrutiny Committees are described in the table below:

O&S Committee	Scope: To fulfil all of the functions of an Overview & Scrutiny committee, including Performance, Improvement and Policy Development as they relate to the following:	Main contributors
<p>Corporate Resources</p> <p>12 Elected Members</p> <p>Designated 'crime & disorder scrutiny' committee</p>	<p>Corporate Management and Governance Council strategic and improvement planning (Council Plan) Council performance and performance systems Customer Services and contact</p> <p>Finance Strategy Revenue and capital strategic planning Revenue and capital budget monitoring</p> <p>Clwyd Pension Fund <i>The Council's role as an employer in the Clwyd Pension Fund</i></p> <p>ICT and Digital Strategies People Strategy Organisational Design & Change Programme</p> <p>Corporate Services Corporate Communications Financial services ICT Services Information and Business Services Procurement HR Business Partnering Occupational Health and Wellbeing</p>	<p>Leader of the Council; Corporate Management & Assets; Finance. Chief Executive; CO (Governance) Corporate Finance Manager Senior Manager (HR & OD)</p>
	<p>Employment Services Legal Services Democratic Services Revenues</p> <p>Strategic and Partnership Working Partnership and collaborative working frameworks Public Service Board</p>	

SECTION 9

9.7 Clwyd Pension Fund Committee

The Council will establish a Clwyd Pension Fund Committee.

9.7.1 Composition

(a) Membership

The Clwyd Pension Fund Committee will be composed of 9 members. Its membership will include:

- i) 5 Councillors of Flintshire County Council, determined by the Council.

Four co-opted members comprising:-

- ii) One Councillor of Wrexham County Borough Council, determined by that Council.
- iii) One Councillor of Denbighshire County Council, determined by that Council.
- iv) One representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund as defined by Schedule 2 of the Local Government Pension Scheme 2013, as amended from time to time, appointed in accordance with procedures agreed by the ~~Chief Executive~~ **Head of Clwyd Pension Fund** in consultation with the members of the Pension Fund Advisory Panel*.
- v) One representative of the scheme members of the Clwyd Pension Fund, appointed in accordance with procedures agreed by the **Head of Clwyd Pension Fund** ~~Chief Executive~~.
- vi) Named substitutes are permitted for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund.

*The Pension Fund Advisory Panel is a group of officers and advisers to the Clwyd Pension Fund, currently consisting of:

- The **Corporate Manager – Human Resources and Organisational Development** ~~Chief Executive~~ of Flintshire County Council
- The Chief Finance Officer for Flintshire County Council
- The Head of the Clwyd Pension Fund
- Investment Consultant
- Fund Actuary
- Independent Adviser

(b) Term of office

- i) The representative members (for other scheme employers and scheme members) are appointed for a period of no more than six years and may be reappointed for further terms.

- ii) Councillors of Flintshire County Council will be appointed annually and may be reappointed for further terms.
- ii) Councillors of other local authorities who are members of the Pension Fund Committee will have a term of office to the next ordinary local government election following their appointment. They may be reappointed for further terms.

(c) *Quorum.*

A meeting of the Pension Fund Committee shall only be quorate when:

- i) At least five members are present, and
- ii) At least three of the members present are Councillors of Flintshire County Council

(d) *Voting*

The Councillors from Wrexham County Borough Council and Denbighshire County Council and the representative members will be entitled to vote at meetings as well as Councillors of Flintshire County Council;

(e) *Chairing the Committee.*

- i) Only Councillors of Flintshire County Council may be the Chair and Vice-Chair.
- ii) The Chair will be elected annually by members of Flintshire County Council.
- iii) The Vice-Chair will be elected annually by members of the Pension Fund Committee.

(f) The Council Procedure Rules should apply to this Committee in the same way as they apply to other Committees unless different provision is made in this article.

(g) The Pension Fund Committee may occasionally meet outside of the Flintshire County Council area.

9.7.2 Role and Function

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with Local Government Pension Scheme legislation.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the **Head of Clwyd Pension Fund** ~~Chief Executive as administrator to the Fund~~ and the Fund's professional advisers:

- a) Ensuring the Clwyd Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non statutory best practice guidance in relation to its management of the Clwyd Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Flintshire County Council and making recommendations to Flintshire County Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment Strategy - approving the Fund's Investment Strategy **Statement, Statement of Investment Principles and Myners Compliance Statement** including setting **the Responsible Investment Policy and** investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.

- iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Wales Pooling Collaboration arrangements
- i) Undertaking the following matters reserved to Flintshire County Council as outlined in the Inter-Authority Agreement
 - Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee
 - Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
 - Formulation, approval or revisions of each respective Constituent Authority's Investment Strategy for the purposes of regulation 7 of the Investment Regulations.
 - Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
 - Amendment of the Agreement which is not significant to the operation of the arrangements.
 - Material change to the nature of the Operator Contract.
 - Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
 - Approval of any evaluation or scoring criteria for any

procurement of a replacement Operator.

- Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
- Determination of the timing of the transition of the assets held by Clwyd Pension Fund into the Pooling Collaboration and the funds or sub-funds operated by the Operator.
- Approval of changes to the terms of reference of the Joint Governance Committee as set out in Schedule 4 of the Inter-Authority Agreement.

Note:

- the Council shall retain the power to terminate the Inter-Authority Agreement or make amendments to the Inter-Authority Agreement that may be significant to the operation of the arrangements.
- the Council has determined that the nomination of a Co-opted Member to the Joint Governance Committee is to be carried out by the Pension Board.
 - ii) Delegating powers to Flintshire County Council's own officers and the Host Council where required.
 - ii) Nominating Flintshire County Council's officers to the Officer Working Group.
 - g) Approving the Fund's Annual Report including the Fund's financial statements
 - h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
 - i) 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.
 - j) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - k) Agreeing Pension Fund Business Plans and monitoring progress against them.
 - l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training

requirements, developing training plans and monitoring compliance with the policy.

- m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- n) Receiving ongoing reports from the ~~Chief Executive~~ **Head of Clwyd Pension Fund as administrator to the fund** and Pensions Advisory Panel in relation to delegated functions.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee.

9.7.3 Officers

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.

9.7.8 Wales Pooling Collaboration Joint Governance Committee

9.7.8.1 The Council will establish the Joint Governance Committee.

9.7.8.2 The Chair~~man~~ and Vice Chair~~man~~ of Flintshire County Council's Pension Fund Committee shall be the Member and Deputy Member on the Joint Governance Committee.

9.7.8.3 The Joint Governance Committee Matters, Terms of Reference and Procedures are as included within the Inter-Authority Agreement as shown below.

(a) Joint Governance Committee Matters

Subject to the terms of the Agreement, the Joint Governance Committee shall undertake those matters which are not Matters Reserved to the Constituent Authorities which shall include (without prejudice to the generality of the foregoing):

- i) Making a recommendation on the appointment, replacement or termination of the Operator to the Constituent Authorities.
- ii) Appointing and replacing service providers, advisers to the Joint Governance Committee (other than the Operator).
- iii) Approving the creation of new pooled vehicles for the Operator.
- iv) Approving the creation of new sub-funds provided by the Operator.

- v) Approving the termination of sub-funds provided by the Operator.
- vi) Preparing a plan relating to the overall transition of assets in accordance with each Constituent Authority's asset transition plan.
- vii) Approving changes to the Operator Contract which are not material changes to the nature of the Operator Contract
- viii) Dealing with the necessary general ongoing management of the Pooling Collaboration.
- ix) Delegation of tasks to the Officer Working Group, including the preparation of reports and draft documents and the undertaking of consultations.
- x) Liaison with Pension Boards as appropriate in line with CIPFA guidance, guidance issued by the Pensions Regulator and other applicable legislation or regulatory guidance.
- xi) Determining the best means of alternative investment structures for assets where a sub-fund is not being provided by the Operator.

Notwithstanding the above, for the avoidance of doubt, the Joint Governance Committee may not delegate its responsibilities.

(b) Joint Governance Committee - Terms of Reference

The Joint Governance Committee responsibilities are:

- i) Making recommendations to the Constituent Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable;
- ii) Ensuring that there are an appropriate range of sub-funds available in order to allow the Constituent Authorities to meet their strategic investment aims. Following representation from any, some or all of the Constituent Authorities, the Joint Governance Committee may direct the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets;
- iii) Monitoring the performance of the Operator against the agreed set of key performance indicators;
- iv) Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Constituent Authorities, government, the Scheme Advisory Board and the general public;

- v) From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Constituent Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Constituent Authorities of the Operator;
- vi) Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories;
- vii) Liaising with the Constituent Authorities on the appropriate range of sub-funds to be provided in the Investment Pool;
- viii) From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary;
- ix) From time to time reviewing policies in respect of environmental, social and governance matters and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary.
- x) Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds;
- xi) Ensuring that the Officer Working Group acts within its remit as set out in clause 4 and Schedule 8 of the Agreement;
- xii) Providing any analysis or commentary on annual accounts to the Constituent Authorities;
- xiii) Monitoring the implementation and effectiveness of the policies described in Schedule 5 of the Agreement and initiating reviews of these where required;
- xiv) Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets;
- xv) Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate;
- xvi) Seeking advice from professional and authorised and regulated advisers where necessary;
- xvii) Agreeing the Business Plan to be put forward to the Constituent

Authorities for approval;

- xviii) Report to the Constituent Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan;
- xix) Agreeing criteria for the evaluation of bids or tenders for any procurement of the Operator (including for the avoidance of doubt, a replacement Operator) to be put forward for the approval of the Constituent Authorities;
- xx) Any reference in this schedule to the Joint Governance Committee taking any action including agreeing, approving or making recommendations, shall be determined subject to the voting provisions set out in Schedule 6 of the Agreement;
- xxi) Approval of an appointment of an Allocator following a recommendation by the Officer Working Group, reviewing the performance of an Allocator(s), and reporting on the performance of the Allocator(s) to the Constituent Authorities;
- xxii) Approval of the termination of the appointment of an Allocator following a recommendation by the Officer Working Group.

(c) Joint Governance Committee Schedule of Procedure

i) MEMBERSHIP

- i.1 The membership of the Joint Governance Committee shall consist of one Member per Constituent Authority and one Co-opted Member.
- i.2 No substitutes other than deputies shall be allowed.

iA) ROLE OF THE CO-OPTED MEMBER

- iA.1 The primary role of the Co-opted Member is to provide scheme member representation on the Joint Governance Committee.
- iA.2 The Co-opted Member is entitled to attend all meetings of the Joint Governance Committee, including exempt items, to be provided with copies of all papers, and to speak on any item during meetings of the Joint Governance Committee.
- iA.3 The Co-opted Member may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.

ii) MEETINGS

- ii.1 Meetings shall be held a minimum of four times per municipal year (being May to May). The anticipated schedule of meetings and the locations in which they will be held will be agreed in advance of the commencement of the next Financial Year no later than the final meeting of the current Financial Year.
- ii.2 A meeting may be held at such time and place as the Chair of the Joint Governance Committee thinks fit provided that at least two meetings per annum shall be held in rotating locations between the Constituent Authorities to facilitate public access. The Constituent Authorities shall make available suitable accommodation for the holding of such meetings in public including the provision of Welsh Language translation, video-conferencing and webcasting services as appropriate.
- ii.3 All agendas, executive summaries of reports and minutes in relation to the Joint Governance Committee shall be in both Welsh and English, and simultaneous translation of proceedings will be available throughout all meetings of the Joint Governance Committee.
- ii.4 The Joint Governance Committee may decide to allow remote participation in meetings via video-conference or any similar medium having regard to any applicable guidance issued from time to time by the Welsh Government. Any Member or Co-opted Member attending by video-conference shall be held to be in attendance at the meeting for the purposes of this Schedule.
- ii. 5 A meeting of the Joint Governance Committee may be called by a proper officer of the Host Authority on the request of the Chair. Members and the Co-opted Member must declare any conflict of interest in respect of any business being conducted at the meeting which would likely to be regarded to prejudice the exercise of a person's function as a participant in the meeting.
- ii.6 The Chair is responsible for the running of meetings. The Chair shall invite Members and the Co-opted Member expressing a desire to speak in turn. All discussion and debate shall be held through the Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member and the Co-opted Member has been given a fair opportunity to speak.
- ii.7 Minutes will be kept of all meetings. The Chair will sign the minutes of the proceedings at the next suitable meeting.
- ii.8 Notice of meetings
 - (a) A notice of meeting specifying the place, date and time of the meeting and containing a statement of the matters to be discussed

at the meeting, shall be served on all of the Members of the Joint Governance Committee by the appropriate governance officer of the Host Council;

- (b) Subject to the next clause ((c)), notice of each meeting, copies of the agenda and any reports to be presented at the meeting, shall be given to all Constituent Authorities by the Host Council no later than seven clear days before the date of the meeting. The Constituent Authorities shall ensure that a minimum of five clear days' notice of all meetings is given in accordance with their normal procedures for notification of Council meetings and all papers made available at all of the Constituent Authorities head offices for inspection for those five days unless certified as confidential in which case agendas and any non-certified items are made available only.
- (c) If a meeting is required to be held with less than five days' notice, the Chair must agree it is required urgently, approve the shortened notice period and allow as much notice as possible to be given. Notice should be given in the same manner, and the documents should be made available to all of the Constituent Authorities for as many days as practicable before the meeting.

ii.9 Exclusion of the public and press

- (a) Where any item to be discussed forms exempt information, the Chair shall move that the public and press are excluded from the meeting for the duration of the discussion and voting on that item. The Co-opted Member is entitled to remain in the meeting and shall not be excluded. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present.
- (b) Where the press and public are excluded under (a) above the Chair may invite any person to remain in the meeting where they consider it to be necessary or appropriate to do so and any members of the Officer Working Group present shall be presumed to be invited to remain unless the Chair specifies otherwise.
- (c) Any person may be excluded from a meeting or required to leave a meeting where in the opinion of the Chair they are causing a disturbance to the running of the meeting and have not desisted from doing so following a request; or where any person is so disruptive that their conduct if allowed to remain would prevent the meeting from proceeding in a fair and acceptable manner.

- ii.10 The Joint Governance Committee may, through the Chair, invite any person to speak at a meeting.

- ii.11 Officers of the Officer Working Group presenting reports to the Joint Governance Committee may be asked questions following such presentation.
- ii.12 Section 151 Officers and Monitoring Officers (and in their absence their deputies) of any Constituent Authority are entitled to attend all meetings including any part of any meeting which is closed to the public and press.

iii) **QUORUM**

- iii.1 The quorum shall be five Members.
- iii.2 Where a quorum is not present within 15 minutes of the start of the meeting and the Chair has not been notified that one or more Members have been delayed but will be attending, the meeting shall not be held and the Host Council will be asked to schedule and give notice of a replacement meeting.
- iii.3 Where, during any meeting there is no quorum present, then the meeting will adjourn immediately. If the Chair has been unable to ascertain within 15 minutes that the quorum can be restored the remaining business will be considered at another time and date fixed by the Chair.

iv) **CHAIR AND VICE CHAIR.**

- iv.1 The Chair and Vice-Chair shall be Members and shall be appointed by vote for a term of 12 calendar months.
- iv.2 In the absence of the Chair, the Vice-chair shall be entitled to exercise all of the functions of the Chair.
- iv.3 The decision of the Chair of the meeting on all points of procedure and order and the Chair's interpretation of any rule in this Schedule of Procedure shall be final and no debate may ensue thereon. The Chair shall be entitled to take the advice of a governance officer in interpreting any rule or objection on procedure.
- iv.4 The Chair may be assisted during meetings by a governance officer on procedural matters and such administrative officers as the Chair considers appropriate. Such governance and secretarial officers shall be entitled to remain in the meeting where the public and press are excluded.

v) **AGENDA**

- v.1 An agenda shall be produced in advance for each meeting by the Host Council following consultation with the Chair.

- v.2 The agenda for each meeting shall contain as the first substantive item the approval of the minutes of the previous meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. The only part of the previous minutes that can be discussed is their accuracy and any matters arising from those previous minutes shall be regarded as new items on the agenda of the current meeting.
- v.3 The Officer Working Group and the Constituent Authorities may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.
- v.4 The decision on whether to allow discussion on any other matter not on the agenda of a meeting at that meeting shall be made by the Chair.

vi) MOTIONS

- vi.1 Any Member may propose a motion. All motions must be seconded. Motions which are opposed shall be put to a vote in accordance with the voting provisions of this Schedule of Procedure.
- vi.2 A Member or the Co-opted Member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of the provisions of this Schedule, or the law or other competent authority. The Member or Co-opted Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer.

vii) VOTING

- vii.1 The Chair shall seek consensus wherever possible however where a vote is required the provisions of this section shall apply.
- vii.2 Each Member present will have one vote and voting will be by means of a show of hands or such other method as the Chair may decide is appropriate in the circumstances, including a roll call. The Co-opted Member may not vote. In the event of a tied vote, the Chair shall have a second or casting vote.
- vii.3 All decisions will be determined by simple majority of Members present.
- vii.4 In the event that a vote is taken, the voting positions and any abstentions of Members will be recorded in the minutes.

viii) SUB-COMMITTEES AND WORKING GROUPS

- viii.1 The Joint Governance Committee shall form such sub-committees and working groups as it considers expedient to performing its function. The Joint Governance Committee shall at the time of forming sub-committees or working groups set out the remit of the sub-committees or working groups, what the sub-committees or working groups are required to deliver and the timescale for that delivery. The Co-opted Member may be a member of any sub-committee or working group.
- viii.2 Sub-committees and working groups shall be entitled to request the input and support of the Officer Working Group in the same manner as the Joint Governance Committee.
- viii.3 Each sub-committee and working group shall appoint a chair for that sub-committee or working group, who is to be one of the members of the sub-committee or working group.
- viii.4 Working groups may invite any person who is not a Member or Co-opted Member to join the group in order to assist in carrying out its function.
- viii.5 The Chairs of sub-committees and working groups shall report to Joint Governance Committee at each meeting of that committee on the process of the matters within their remit.
- viii.6 Sub-committees and working groups may be disbanded at any time on the vote of the Joint Governance Committee.
- viii.7 The provisions of the paragraphs in this Schedule of Procedure relating to Agendas, Motions and Voting shall apply to any sub-committee and working group meetings.

9.8. Section 5 of the Public Service Pensions Act 2013

- 9.8.1 In accordance with Section 5 of the Public Service Pensions Act 2013, a local Pension Board assists Flintshire County Council in the governance and administration of the Clwyd Pension Fund. The Board's role, members, terms of reference and working arrangements are contained in the following Protocol (following paragraph 9.102).

9.11 Pension Board Protocol

1) Introduction

The purpose of this document is to set out the Protocol for the local Pension Board of the Clwyd Pension Fund. Flintshire County Council is a scheme manager as defined under Section 4 of the Public Services Pensions Act 2013. The Pension Board is established by Flintshire County Council under the powers of Section 5 of the Public Service Pensions Act and regulation 106 of the Local Government Pension Scheme Regulations 2013. As such, the Constitution of Flintshire County Council does not apply to this Pension Board unless expressly referred to within and permitted by this Protocol.

2) Powers of the Pension Board

The Pension Board will exercise all its powers and duties in accordance with the law and this Protocol.

In addition, Flintshire County Council has determined that, in accordance with the Wales Pooling Collaboration Inter-Authority Agreement, any nomination of a Co-Opted Member to the Joint Governance Committee will be carried out by the Pension Board.

3) Role of the Pension Board

The role of the Pension Board is defined by regulation 106 (1) of the LGPS Regulations as to assist Flintshire County Council as Scheme Manager of the Clwyd Pension Fund:

- to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- to ensure the effective and efficient governance and administration of the LGPS by the Clwyd Pension Fund

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management. The Pension Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the Clwyd Pension Fund Committee.

The Pension Board will ensure that in performing their role it is:

- done effectively and efficiently and

- complies with relevant legislation and
- done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

4) **Composition of the Pension Board**

a) **Membership.**

The Pension Board shall consist of 5 members and be constituted as follows:

- i) 2 Employer Representatives;
- ii) 2 Scheme Member Representatives;
- iii) 1 Independent Member.

Substitutes for the Employer or Scheme Member Representatives are not permitted. The Independent Member will have an Alternate who will carry out Pension Board business if the Independent Member is not available to do so.

b) **Eligibility and selection criteria.**

The ~~Chief Executive as administrator to the fund (hereafter referred to as the 'Chief Executive')~~ **Head of Clwyd Pension Fund as the Board Secretary (hereafter referred to as "Board Secretary")** will define and keep under review any eligibility and/or selection criteria that will apply to Pension Board members having due regard to the LGPS Regulations and any other relevant Code of Practice and guidance (statutory or otherwise). As a minimum and in accordance with the LGPS Regulations:

- all scheme member and employer representatives must have the capacity to represent their scheme members and employers as appropriate, and
- no officer or elected member of Flintshire County Council who is responsible for the discharge of any function of the Administering Authority under the LGPS Regulations may be a member of the Clwyd Pension Fund Board.

c) **Appointment of Members.**

The process for selecting members of the Pension Board is set out below.

i) Employer Representative

Step 1 - Each employer within the Clwyd Pension Fund will be invited to nominate one representative to represent employers on the Pension Board. The **Board Secretary** ~~Chief Executive~~ can appoint or reject any nomination made where **it is** ~~she/he~~ **she/he** considers ~~ed~~ **ed** the individual does not appropriately meet the eligibility and/or selection criteria.

Step 2 - Where Step 1 fails ~~the Board Secretary~~ Chief Executive will take any other action ~~she/he~~ considered appropriate to appoint suitable Employer Representatives.

ii) Scheme Member Representatives

The joint trade unions will be approached to make one nomination of a person to represent scheme members. The ~~Board Secretary~~ Chief Executive can appoint or reject any nomination made where he/she considers the individual does not appropriately meet the eligibility and/or selection criteria.

The other Scheme Member Representative must be an active, deferred or pensioner member of the Clwyd Pension Fund and will be selected by the ~~Board Secretary~~ Chief Executive following procedures determined by him/her in the spirit of any national guidance or Code of Practice in relation to appointments to the Pension Board.

NB: Step 2 for the Employer Representative also applies to the Scheme Member Representative.

iii) Independent Member and Alternate

The ~~Board Secretary~~ Chief Executive will appoint the Independent Member and Alternate. This will be subject to a majority vote by the employer and scheme member representatives on the Board.

d) Term of Office

- i) The Employer Representatives are appointed for a period of three years from ~~the date of establishment of the Pension Board or~~ the date of their appointment if later. This period may be extended to up to five years if agreed by the ~~Chief Executive~~ Board Secretary. It will automatically cease if the individual is no longer in the employment of that employer.
- ii) The Scheme Member Representatives are appointed for a period of three years from ~~the date or establishment of the Pension Board or~~ the date of their individual appointment if later. This period may be extended to up to five years if agreed by the ~~Chief Executive~~ Board Secretary. It will automatically cease if the individual is no longer a trade union representative or representative of scheme members (in accordance with the criteria set by the ~~Board Secretary~~ Chief Officer (People and Resources), as appropriate).
- iii) The Independent Member's and Alternate's term of office will be determined by the ~~Chief Executive~~ Board Secretary subject to a maximum of five years.

Any Pension Board member may be re-appointed for further terms following an

appointment process.

Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the **Chief Executive Board Secretary**.

Other than ceasing to be eligible (as set out above) a Pension Board member may only be removed from office during the term of appointment by the unanimous agreement of the **Chief Executive Board Secretary**, the Monitoring Officer and the Independent Member. Such reasons may include non-compliance with this Protocol including inappropriate conduct, conflicts of interest, avoidance of training or low meeting attendance, not having the capacity to represent their members **or employers (as relevant)** or for any other reason not meeting the criteria required to be a Pension Board member.

The removal of the Independent Member requires unanimous agreement from the **Chief Executive Board Secretary** and the Monitoring Officer.

e) Quorum

All Members of the Pension Board are expected to regularly attend meetings. Records of attendance of all Members will be maintained and reported to the **Chief Executive Board Secretary** on at least an annual basis.

A meeting of the Pension Board will only be quorate when:

- one Employer Representative and
- one Scheme Member Representative and
- the Independent Member or Alternate

are present. Subject to agreement by the Independent Member this could include remote attendance. A meeting that is (or becomes at any point) not quorate will cease immediately.

f) Chairing

The Chair of the Pension Board will be the Independent Member (or Alternate) subject to a motion to confirm this being agreed by the majority of the Employer and Scheme Member Representatives of the Board. The role of the Chair is to:

- Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and that decisions are democratically made where consensus cannot be reached.
- **To uphold** and promote the purpose of the Board and to interpret its Protocol when necessary

- Ensure that the Pension Board members have the knowledge and skills as determined in the Fund's **Training Knowledge and Skills** Policy and other guidance or legislation and maintain a training record.
- Act as professional adviser for the Board or arrange such advice as required subject to agreement by the **Chief Executive-Board Secretary** on such conditions as that officer determines.
- Agree the agenda for each Pension Board meeting.
- Approve minutes for Pension Board meetings.
- Ensure an attendance record is maintained along with advising Flintshire County Council on remuneration and expenses to be paid.
- Advise Flintshire County Council on an appropriate budget for the Board, which should be formally approved by the Pension Fund Committee along with the Pension Fund Annual Budget.
- Write reports required by Flintshire County Council on the work of the Board.
- Liaise with the **Clwyd Pension Fund Manager-Board Secretary** on the requirements of the Board, including advanced notice for Flintshire County Council officers to attend and arranging dates and times of Board meetings.
- Other tasks which may be deemed appropriate by Flintshire County Council for the Chair of the Pension Board.
- Other tasks that may be requested by the members of the Pension Board, within the remit of this Protocol and subject to agreement with the **Chief Executive-Board Secretary**
- To annually review and report on the performance of the Board

The decision of the Chair on all points of procedure and order and the Chair's interpretation of the Protocol shall be final.

g) Voting

Each Employer and Scheme Member Representative on the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not be entitled to vote.

The results of any voting outcomes will be reported in the Board minutes including where a consensus was not reached in voting.

Any decision being reported to the Monitoring Officer under 9b) below must receive agreement from a majority of voting members.

5) Location and Frequency of Meetings

The Pension Board will normally meet at the offices of the Clwyd Pension Fund, although the offices of any Employer Representatives could be used with prior agreement of the Chair and at no additional accommodation cost to the Clwyd Pension Fund. Meetings can also be held with remote attendance by members or as hybrid (a combination of physically present and remote attendance).

The Board will meet a minimum of twice and a maximum of four times in each calendar year. If the Board does not believe that this is sufficient to discharge its duties and responsibilities effectively the Chair can make a request to the ~~Chief Executive~~ **Board Secretary** for approval to hold additional meetings.

Urgent business of the Pension Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Pension Board including remote attendance, telephone conferencing and e-mails.

6) Remuneration and Expenses

- a) Subject to b) below, an allowance will be made to both Employer and Scheme Member Representatives for attending meetings relating to Pension Board business (including attending training) at the rates contained in the Schedule of Member Remuneration in Flintshire County Council's Constitution for co-opted members of a Flintshire County Council Committee.
- b) It is hoped that employers of Representatives on the Pension Board will provide appropriate capacity to allow the Representative to perform this role within their normal working day without any reduction in pay. If that is the case, the Representative will not be entitled to any allowance.
- c) All Employer and Scheme Member Representatives will also be entitled to claim travel and subsistence allowances at the rates contained in the Schedule of Member Remuneration in Flintshire County Council's Constitution.
- d) The Independent Member and Alternate shall be paid remuneration and expenses as determined by the ~~Chief Executive~~ **Board Secretary**.

7) Acting in the interests of the entire pension fund

Though members of the Pension Board include representatives of specific categories of stakeholder (i.e. scheme members and employers) each member is required to have due regard to the Role of the Pension Board as outlined in this Protocol. Accordingly all members are expected to work jointly in the best interest of the entire Pension Fund, rather than representing the interest of any individual stakeholders. This should not prevent Members from sharing their knowledge on how matters might impact specific stakeholders of the Fund.

8) Conflicts of Interest

A conflict of interest is defined in the Public Service Pensions Act as:

“in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Each member of the Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pension Board.

The Chair of the Pension Board must be satisfied that the Board is acting within:

- the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations, and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest at the Pension Board, and
- in accordance with any Clwyd Pension Fund Conflicts of Interest Policy or Procedures that apply to the Board.

Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Chair of the Pension Board with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

The ~~Chief Executive~~ **Board Secretary** and the Monitoring Officer will jointly adopt the role of ensuring that the Chair of the Pension Board does not have a conflict of interest in the same way as the Chair does in relation to all other Pension Board members. Further they must be satisfied that the Chair is carrying out his or her responsibilities under this section appropriately.

9) Reporting and escalation

- a) The Board must provide minutes of each meeting to the following Pension Fund Committee meetings and may make reports and recommendations to the Pension Fund Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided 10 working days in advance of the next Pension Fund Committee to the ~~Chief Executive~~ **Board Secretary**. In addition, an annual report of the Pension Board (as prepared by the Chair of the Pension Board), must be provided to the ~~Chief Executive~~ **Board Secretary**, the Monitoring Officer, the Pension Fund Committee, and the Governance and Audit Committee and be published in the Fund's Annual Report and Accounts.
- b) Where the Board considers that a matter brought to the attention of the Pension Fund Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring

Officer.

10) Receipt of advice and information

The Board will be supported in its role and responsibilities by the Independent Member and the Head of Clwyd Pension Fund (“the Board Secretary”). In addition Pension Board members will receive the final reports, minutes and agendas relating to all Pension Fund Committees and may attend Pension Fund Committee meetings (including during exempt items).

Insofar as it relates to the role of the Pension Board, it may also;

- request and receive information and reports from the Pension Fund Committee or any other body or officer responsible for the management of the Fund
- examine decisions made or actions taken by the Pension Fund Committee or any other body or officer responsible for the management of the Fund.

The Board Secretary will provide such information as is requested.

Any further requests for information and advice are subject to the approval of the ~~Chief Executive~~ **Board Secretary** who will be required to consider positively all reasonable requests in relation to the role of the Pension Board whilst being mindful of value for money. The Board Secretary will provide such information as is approved.

11) Knowledge and Skills

Under the requirements of the Public Service Pensions Act, a member of the Pension Board must be conversant with:

- a) the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- b) any document recording policy about the administration of the LGPS which is adopted by the Clwyd Pension Fund.

In addition, a member of the Local Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their

knowledge up to date. Pension Board members are therefore required to:

- participate in training events (a written record of relevant training and development will be maintained)
- undertake a personal training needs analysis or other method to identify gaps in skills, competencies and knowledge.
- comply with the Pension Fund's Training Policy insofar as it relates to Pension Board members.

12) Standards of Conduct

The Flintshire Standard and Part 2 of the Flintshire County Council's Members' Code of Conduct shall apply in relation to the standards of conduct of Pension Board members insofar as they can be reasonably considered to apply to the role of members of the Pension Board, including the non-disclosure of confidential information.

13) Administration

The Chair of the Pension Board will agree an agenda with the Board Secretary prior to each Pension Board meeting. The agenda and any papers for the Pension Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency. Draft minutes of each meeting including all actions, decisions and matters where the Board was unable to reach a decision will be recorded and circulated to all Board members within 10 working days after the meeting. These draft minutes will be subject to formal agreement by the Chair taking consideration of comments by Board members (which may be done electronically between meetings).

The minutes may, at the discretion of the Chair, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998/ General Data Protection Regulation.

The Pension Board must comply with the General Data Protection Regulation and Flintshire County Council's data protection policy. It must also adhere to Flintshire County Council's requirement, controls and policies for Freedom of Information Act compliance.

14) Access to the Public and publication of Pension Board information

The Pension Board will not be a meeting of the Council open to the general public. The following will be entitled to attend Pension Board meetings in an observer capacity:

- Members of the Clwyd Pension Fund Committee
- the Chief Executive, Corporate Manager – Human Resources and

Organisational Development, the Section 151 Officer, **the Head of Clwyd Pension Fund** and the Monitoring Officer

- other officers or advisers of Flintshire County Council or other employers involved with the management of the Pension Fund subject to approval in advance by the Chair, or on request by the Chair
- any other person requested to attend by the Chair
- any other person subject to approval in advance by the Chair.

Any such attendees will be permitted to speak at the discretion of the Chair.

In accordance with the Public Service Pensions Act, Flintshire County Council is required to publish information about the Pension Board including:

- who the Pension Board members are
- representation on the Board
- the role of the Pension Board.

In accordance with good practice, Flintshire County Council may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:

- the agendas and minutes
- training and attendance logs
- an annual report on the work of the Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- on the Clwyd Pension Fund website,
- on the Flintshire County Council website,
- within the Clwyd **Pension Fund** Annual Report and Accounts,
- within the Fund's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998 and the General Data Protection Regulation^s.

15) Accountability

The Pension Board will be collectively and individually accountable to Flintshire County Council.

16) Review, Interpretation and Publication of Protocol

This Protocol has been agreed by Flintshire County Council. The Council will monitor and evaluate the operation of the Pension Board and may review this Protocol from time to time.

This Protocol will be incorporated into the Council's Constitution and will be publicly available as part of the Constitution as defined in the Council's Constitution and may be amended by the same means as permitted for the Constitution. It will also form part of the Clwyd Pension Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

17) Definitions and Interpretation

Points of interpretation:

- All references to officers are to officers within Flintshire County Council unless otherwise stated.

The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	the local Pension Board for Flintshire County Council, administering authority for the Clwyd Pension Fund as required under the Public Service Pensions Act 2013
<i>"Pension Fund Committee"</i>	The Clwyd Pension Fund Committee or any committee or sub-committee that may be established with delegated powers for the management and administration of the Fund on behalf of Flintshire County Council as Administering Authority.
<i>"Fund" or "Pension Fund"</i>	Clwyd Pension Fund
<i>"the LGPS Regulations"</i>	The Local Government Pension Scheme Regulations 2013 (as amended)
<i>the Public Service Pensions Act</i>	The Public Service Pensions Act 2013 (as amended)
<i>"Scheme Manager"</i>	Flintshire County Council as administering authority of the Clwyd Pension Fund.
<i>"Chair"</i>	The appointed Chairperson of the Pension Board

“LGPS”

The Local Government Pension Scheme

“Scheme”

The Local Government Pension Scheme

11. Officer Scheme of Delegation

SUB-SECTION E – SPECIFIC DELEGATIONS TO STATUTORY, LEGAL, FINANCIAL, HUMAN RESOURCES AND TECHNICAL SERVICES OFFICERS

Chief Executive Head of Clwyd Pension Fund	
PR11X X01	The day to day management of Clwyd Pension Fund matters including ensuring arrangements for investments of assets and administration of contributions and benefits, excluding matters delegated to the Clwyd Pension Fund Committee.
XX02P R12	Establish and Chair a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and advisors to the Clwyd Pension Fund to provide advice and propose recommendations to the Clwyd Pension Fund Committee and carry out such matters as delegated to it from time to time by the Clwyd Pension Fund Committee.

SECTION 13

13. **RESPONSIBILITY FOR FUNCTIONS**

13.1 **Table 1 – Responsibility for Council Functions**

Committee (Membership)		Non-Executive Functions	Provision of Act or Statutory Instrument	Delegation of functions
H. Clwyd Pension Fund Committee 5 Councillors of Flintshire County Council, 1 Councillor of Wrexham County Borough Council, 1 Councillor of Denbighshire County Council, 1 Representative of the other Scheme Employers (not	1	To carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund.	Regulations under Sections 7, 12 or 24 of the Superannuation Act 1972 and the Public Service Pensions Act 2013.	Chief Executive Head of Clwyd Pension Fund
		Tudalen	334	

admission bodies) in the Clwyd Pension Fund and1 Representative of the scheme members of the Clwyd Pension Fund.				
<i>The following provision is not a matter relating to the Clwyd Pension Fund Committee and should be moved from part H of this table to Part I. Miscellaneous Functions.</i>				
	21 6	Functions relating to pensions, allowances and gratuities	Regulations under Section 18 (3A) of the Local Government & Housing Act 1989	Chief Executive

SECTION 30

FLINTSHIRE COUNTY COUNCIL

MEMBERS' SCHEDULE OF REMUNERATION

9. Co-optees' payments

- 9.1 A daily fee (with a provision for half day payments) shall be paid to Co-optees, provided they are statutory Co-optees with voting rights. *In addition a daily fee (which will be paid from the Clwyd Pension Fund) will be paid to the Co-optees who are representatives of other employers and scheme members on the Pension Fund Committee.*
- 9.2 Co-optees' payments will be capped at a maximum of the equivalent of 15 full days a year for each committee to which an individual may be co-opted.
- 9.3 Payments will take into consideration travelling time to and from the place of the meeting, reasonable time for pre meeting preparation and length of meeting (up to the maximum of the daily rate).
- 9.4 The Head of Democratic Services is designated as the "appropriate officer" and will determine preparation time, travelling time and length of meeting, the fee will be paid on the basis of this determination.
- 9.5 The Head of Democratic Services can determine in advance whether a meeting is programmed for a full day and the fee will be paid on the basis of this determination even if the meeting finishes before four hours has elapsed

Summary note of (hybrid) meeting held on 6th June 2022

Full details of the meeting and agenda papers can be found on the [board meetings page](#).

The minutes of the meeting on 7th March were approved.

The main points arising from the meeting are shown below:

SAB 2022/23 Workplan and Budget - The Board approved the budget and workplan for 2022/23. Members were advised that the workplan comprised the main ongoing workstreams and that there is flexibility to develop it in more detail and to include new workstreams that might develop during the year, for example, further work on fiduciary duty arising from DLUHC's consultation on levelling up, TCFD reporting, etc. Members were informed that a second Pensions Secretary will join the LGA on the 20th June to help provide the resources necessary to implement the agreed workplan. The Chair also suggested that provision for a workstream on the participation of academy schools in the Scheme should also be included, reflecting the Government's ambition for full academisation by 2030.

Forward Look Update - Members were informed that the Board had agreed to establish a small steering group to steer the Board's agenda and to put it on the front foot on key issues. Membership of the group will include Cllr Roger Phillips, Jon Richards, Cllr John Fuller and a treasurer and practitioner representative. The group will meet for the first time shortly and will report to the next SAB meeting in October 2022.

SAB/Committee Membership – The Board approved a number of appointments to the Board and both committees that do not require formal approval from the Secretary of State. These included the nomination of George Graham (South Yorkshire Pensions Authority) as the Board's practitioner representative following Rachel Brothwood (West Midlands Pension Fund) standing down; Jeff Dong (Swansea Council) as the replacement for Mark Wynn (Cheshire West and Chester) as the treasurer's representative on the Investment, Governance and Engagement Committee and Glyn Jenkins (UNISON) replacing Colin Meech (UNISON) as a scheme member representative, also on the Investment, Governance and Engagement Committee.

Queen's Speech Update – The Board was informed that a number of government Bills relevant to the LGPS were introduced in the Queen's speech including the Boycotts, Divestment and Sanctions Bill, the Levelling Up and Regeneration Bill, the Schools Bill and Private Sector Audit Bill.

Compliance and Reporting Committee Report -The Chair of the committee reported to the Board details of the meeting held on the 9th May. Members were reminded that the new committee was established to take on the work of the former CIPFA Pensions Panel and on that basis would have a dual reporting role to both

this Board and CIPFA. The committee will be meeting on the 27th June to discuss how that dual reporting role will work in practice. The Board was invited to approve a draft workplan prepared by a small working group within the committee which highlighted the need for the committee to work alongside the other committees and groups in taking it forward. The draft workplan consisted of three sections: those workstreams that could be commenced immediately; those workstreams that couldn't commence immediately because they are contingent on actions being taken outside of the committee and those workstreams that are initiated solely by CIPFA. The Board approved a recommendation from the committee that the SAB Chair should send a letter to the Minister expressing concerns around external audit and proposing a potential remedy, the separation of pension fund accounts from main local authority accounts, as had already happened in Wales and Scotland. The Chair agreed that sending this letter could be a significant step forward in resolving the significant delays in accounts being signed off.

Investment, Governance and Engagement Committee Report - As part of the report to the Board members were advised that the Responsible Investment Advisory Group had reported to the committee various concerns around the forthcoming public consultation on TCFD reporting. The committee heard that the LGPS was falling behind the private sector on this issue, with TCFD reporting for private sector pension schemes already moving forward. A consultation on the reporting framework for LGPS is expected in the Autumn which will include a number of mandatory metrics potentially including carbon intensity, data quality and whether the associated global temperature increase aligned with the outcome of the Paris Agreement. There was discussion about the difficulties in reliably assessing the impact of investments and the importance of having a compelling narrative to explain what is an inherently complex issue. The Scheme was likely to come under scrutiny for its performance against climate-change metrics and the Board was asked to develop proposals for how funds could be encouraged to report on a consistent basis so that a Scheme wide report could be produced.

AOB - The Board was advised that there were 20 levy payments outstanding. The Board was informed that despite their apparently positive response in May to the earlier letter from the Chair, there remained significant issues with administration and payment of benefits by Prudential in relation to its AVC contracts. The Board was asked to consider what more could be done to pursue this matter. It was agreed that the Chair would consider next steps with the Secretariat. The additional information Michael Lynk, the then UN Special Rapporteur on Human Rights in the Occupied Palestinian Territories, undertook to provide at the meeting in January has now been received. The Board invited the Chair to reply to the letter from the UK Lawyers for Israel group asking for amendments to be made to the Board's statement on its earlier meeting with Mr Lynk. The Chair agreed that a reply would be sent.

Date of Next Meeting – 10th October 2022

Training Plan as at

19/08/2022

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
Internal	Essential	Funding Considerations - the valuation	Actuarial valuation and Funding Strategy Statement (FSS)	24 Aug 2022	1.5	Committee members, Board members, Senior Officers	Starts at 2.30 pm
External	Desirable	LGC Conference September 2022	LGC Investments and Pensions Summit (Leeds)	8 Sep 2022	17	Committee members, Board members, Senior Officers	8 to 9 September
External	Desirable	WPP Private Market Allocators/ Active Sustainable Equities Investment considerations - investment strategy review including asset classes	Sustainable Active Equities & Private Market assets and role of the allocator	22 Sep 2022	2.5	Committee members, Board members, Senior Officers	Start time 9.30 am
Internal	Essential	Investment strategy review including asset classes	Setting the strategy and delivery of Investment objectives, including the risk and return characteristics of the asset classes	5 Oct 2022	2.5	Committee members, Board members, Senior Officers	Starts at 10.00 am
External	Desirable	LGA Fundamentals Training Programme 2022	Fundamental Training - scheme overview, covering current issues in relation to administration, investments and governance of the LGPS.	18 Oct 2022	18	Committee members, Board members	Three day programme with options to attend online or in person (Westminster or Birmingham). Dates are 18/20/27 Oct, 10/16/22 Nov, 6/14/20 Dec.
External	Desirable	WPP Governance, Administration, Roles/Responsibilities	WPP Governance and Administration, and Roles and Responsibilities within the WPP	19 Oct 2022	2.5	Committee members, Board members, Senior Officers	Start time 9.30 am
External	Desirable	LAPFF Annual Conference	Focusing on responsible investments including corporate governance and engagement	7 Dec 2022	17	Committee members, Senior Officers	7 to 9 December, maximum 2 attendees
Internal	Desirable	Annual Joint Consultative Meeting	Annual Joint Consultative Meeting	13 Dec 2022	5	Committee members, Board members, Senior Officers	
External	Desirable	LGA Annual Conference	Annual Governance Conference	20 Jan 2023	6	Committee members, Board members, Senior Officers	
Internal	Essential	Governance considerations - Myners Principles	To include reviewing the effectiveness of the PF Committee	TBC	0.5	Committee members, Board members, Senior Officers	
External	Desirable	WPP RI and related topics	Responsible Investments for WPP / Stewardship Code / TCFD Reporting	TBC	2.5	Committee members, Board members, Senior Officers	Potentially Oct to Dec 2022

External	Desirable	WPP LGPS pools and collaboration	Progress of other LGPS Pools / Collaboration Opportunities	TBC	2.5	Committee members, Board members, Senior Officers	Potentially Jan to March 2023
Internal	Essential	Governance update - Various	- The role and powers of The Pensions Regulator and Codes of Practice - MIFID2 knowledge and skills requirements and The impact on The Fund around investment restrictions - Changes to be introduced as a result of The national SAB good governance project	TBC	2	Committee members, Board members, Senior Officers	
Internal	Essential	Administration considerations	New £95k cap and the impact on scheme members being given early retirement	TBC	0.5	Committee members, Board members, Senior Officers	
Internal	Essential	Administration considerations	Overview of Goodwin court case affecting widowers	TBC	0.5	Committee members, Board members, Senior Officers	
Internal	Essential	Investment considerations - Private markets	All aspects of investing in Private Markets	TBC	2	Committee members, Board members, Senior Officers	
Internal	Essential	Actuarial/Funding, Accounting, Audit & Procurement	Actuarial/Funding, Accounting, Audit & Procurement Induction Training	TBC	1.5	New Committee members	
Internal	Essential	Pension Fund Cyber Security	Pension Fund Cyber Security Induction Training	TBC	1.5	New Committee members	
Internal	Essential	Responsible Investment & Climate	Pension Fund RI / Climate Induction Training	TBC	1.5	New Committee members	

Previous Events

External	Essential	Administration and communications	Administration and communications induction training	10 Aug 2022	1.5	New Committee members	
External	Essential	Investment matters	Investments Induction Training	20 Jul 2022	1.5	New Committee members	
External	Essential	Governance	Governance Induction Training	24 Jun 2022	1.5	New Committee members	
External	Desirable	Barnet Waddingham Pension Board Event	Pension Board Event	22 Jun 2022	6.5	Board members	
External	Desirable	PLSA Conference June 2022	PLSA Local Authority Conference 2022	13 Jun 2022	20	Committee members, Board members, Senior Officers	
Internal	Essential	Communications Strategy Review	Communications Strategy Review Training	8 Jun 2022	2	Committee members, Board members, Senior Officers	
External	Desirable	CIPFA	Pension Board Event	18 May 2022	6	Board members	

Ref	A1	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of joining	Owner	SB
Party which caused the breach	CPF + various employers		
Description and cause of breach	<p>Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.</p> <p>Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays.</p>		
Category affected	Active members		
Numbers affected	<p>2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: 3363 cases completed / 50% (1697) were in breach. 2020/21: 3940 cases completed / 39% (1544) were in a breach 2021/22 -Q1 - 789 cases completed / 15% (118) were in breach -Q2 - 769 cases completed / 25% (190) were in breach -Q3 - 1444 cases completed / 15% (190) were in breach -Q4- 1070 cases completed / 12% (128) were in breach 2022/23 -Q1 - 947 cases completed / 5% (50) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation. 		
Actions taken to rectify breach	<ul style="list-style-type: none"> - Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). / - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. / - Training of new team members to raise awareness of importance of time restraint. / - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. - 6/6/18 - Updating KPI monitoring to understand employers not sending information in time. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 -Streamlining of aggregation cases with major employers. /- Consider feasibility and implications of removing reminders for joining pack (agreed not to change). /- Consider feasibility of whether tasks can be prioritised by date of joining (agreed not to change). 14/11/19 - Utilising FCC trainees to assist with this procedure. Joined early September. 30/01/2020 - backlog completed and addressed older case work. 25/09/2020 - Appointed and training new members of staff 17/11/2020 - Training of new staff continuing. An increase of cases completed compared to previous. Expecting next quarter results to improve due to completion of training. 02/02/2021 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 14/10/2021 - Due to key staff members within this area leaving the Fund in this quarter, recruitment is underway to replace these staff members and new Modern Apprentices are being trained in this area. 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. vRecent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again. . 		
Outstanding actions (if any)	<p>22/05/22 - Analyse new employer reports and escalate to individual employers if required. Continually review resource requirements to meet KPI. 12/08/22 - Recruit to current vacant positions responsible for this process.</p>		
Assessment of breach and brief summary of rationale	<p>12/08/2022 Number of cases in breach has reduced and number completed has increased. Number breached still too high to reduce rating.</p>		

Reported to tPR	No
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Ref	A2	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late transfer in estimate	Owner	SB
Party which caused the breach	CPF + various previous schemes		
Description and cause of breach	<p>Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request.</p> <p>Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019.</p>		
Category affected	Active members		
Numbers affected	<p>2017/18: 235 cases completed / 36% (85) were in breach. 2018/19: 213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21: 224 cases completed / 25% (57) were in breach 2021/22 -Q1 - 76 cases completed / 62% (47) were in breach -Q2 - 76 cases completed / 22% (17) were in breach -Q3 - 91 cases completed / 15% (14) were in breach -Q4 - 66 cases completed / 14% (9) were in breach 2022/23 -Q1 - 98 cases completed / 9% (9) were in breach</p>		
Possible effect and wider implications	<ul style="list-style-type: none"> - Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation. 		
Actions taken to rectify breach	<p>17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively.</p>		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	12/08/2022 Number of cases completed has increased but the number in breach remains too high to amend assessment.		
Reported to tPR	No		

Ref	A4	Date entered in register	19/09/2017
Status	Open	Date breached closed (if relevant)	
Title of Breach	Late notification of retirement benefits	Owner	SB
Party which caused the breach	CPF + various employers + AVC providers		
Description and cause of breach	<p>Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age.</p> <p>Due to a combination of:</p> <ul style="list-style-type: none"> - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider. - temporary large increases in work due to retrospective pay award recalculations 		
Category affected	Active members mainly but potentially some deferred members		

Numbers affected	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: 1330 cases completed / 25% (326) were in breach 2020/21: 1127 cases completed / 24% (269) were in breach 2021/22 -Q1 - 329 cases completed / 16% (53) were in breach -Q2 - 388 cases completed / 16% (64) were in breach -Q3 - 444 cases completed / 14% (64) were in breach -Q4- 373 cases completed / 11% (41) were in breach 2022/23 -Q1 - 413 cases completed / 19% (81) were in breach
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. 3/6/19 - Review of staff resources now complete and new posts filled. 14/8/19 - Improvements have been made and more should be made as staff are settled in and trained. Business case approved. 25/09/20 - Increased engagement with employers to assist with challenges faced due to working from home in relation to Covid-19 requirements. Employers faced challenges in getting information to us in relevant timescales. 17/11/2020- Number of cases completed has increased whilst percentage in breach has reduced compared to last quarter. This is hoped to continue due to increased engagement with employers and processes amended to mitigate challenges faced by Covid-19. 02/02/21 - Completed case numbers continue to increase whilst percentage in breach has reduced again this quarter. Improved engagement with employers via new monthly reporting process should assist in reducing the number of breaches further in future quarters. 21/05/2021 - New reports to employers will go live in June so expected improvement in future quarters. 12/08/2022 - Staff members leaving and re-calculation of benefits following a retrospective pay award have negatively impacted the performance in this area. Recruitment drive to fill vacant positions and review of resource in this area to tackle number of required recalculations should improve performance following necessary training.
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required. Complete all recalculations so all appropriate staff can focus on retirements. 12/08/2022 - Recruit to fill vacant positions.
Assessment of breach and brief summary of rationale	12/08/2022 Number of cases completed has increased but number in breach remains too high to amend assessment. Recalculation of benefits due to late pay award and vacant staff positions within this area will impact this KPI. Improvement may not be seen until all recalculations and recruitment are complete.
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.		
Category affected	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).		

Numbers affected	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19: 184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21: 195 cases completed / 27% (53) were in breach 2021/22 -Q1- 59 cases completed / 8% (5) were in breach -Q2 - 42 cases completed / 5% (2) were in breach -Q3 - 52 cases completed / 17% (9) were in breach -Q4 - 54 cases completed / 19% (10) were in breach 2022/23 -Q1- 59 cases completed / 17% (10) were in breach
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.
Outstanding actions (if any)	None
Assessment of breach and brief summary of rationale	12/08/2022 - Number of completed cases and breaches have improved slightly. Re-calculations and newly trained staff taking longer to process cases. Assessment level to remain Amber.
Reported to tPR	No

Ref	A20	Date entered in register	03/02/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Members not entered into LGPS	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	Number of employees entered into the Peoples' Pension, rather than the LGPS, by their employer (confidential until all employees are communicated with). Some employees did opt out of Peoples' Pension.		
Category affected	Active members		
Numbers affected	18 employees		
Possible effect and wider implications	- As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - Unclear if the employees who opted out, would have also opted out of the LGPS. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with Peoples' Pension to reverse membership there.		
Actions taken to rectify breach	3/2/2021 - Liaising with employer to determine how best to put employees back in correct position. Letters sent to members to explain 21/05/2021 - Regular meetings held with employer and have an action plan in place. Exact number of 18 members have now been identified. 14/10/2021 - All active members have been communicated with and next steps agreed. 14/02/2022 - CPF Pensions Administration Manager has been chasing for final cases to be resolved. 22/05/2022 - Employer requested figures from payroll department on multiple occasions. CPF Pension Administration Manager contacted payroll team leader requesting dates for completion of outstanding actions. 12/08/2022 - Financial figures have now been provided by payroll department to the employer. Letters to the four members that had left employment have been issued with a response date of the 16/9/22.		
Outstanding actions (if any)	12/08/2022 All follow up actions pending member response to be completed Oct/Nov 22.		

Assessment of breach and brief summary of rationale	12/08/2022 - Follow up actions for the 4 members that have left are now complete. Assessment of breach to remain green as number of members impacted is low and no further contributions are being made. Once responses received and follow up actions complete, breach can be closed.
Reported to tPR	No

Ref	A22	Date entered in register	21/05/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Members not entered into LGPS	Owner	KW
Party which caused the breach	Glyndwr		
Description and cause of breach	Number of employees entered into alternative pension schemes, rather than the LGPS, by Glyndwr.		
Category affected	Active members		
Numbers affected	6 employees		
Possible effect and wider implications	<ul style="list-style-type: none"> - As a result the employees may have less valuable pension rights, and so LGPS membership will need to be applied retrospectively. - LGPS Contributions will need to be collected from employer and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. - Employer will need to liaise with alternative provider to reverse membership there. 		
Actions taken to rectify breach	<p>21/05/2021- Liaising with employer to determine how best to put employees back in correct position and detailed plan of actions has been developed. Letters sent to members to explain</p> <p>14/10/2021 - Letter to 5 outstanding employees requesting confirmation of next steps issued with close date of 31/10/21.</p> <p>14/2/2022 - Employer being chased by CPF.</p> <p>22/05/2022 - CPF continuing to work with employer to resolve individual cases once employee responds with preferred action. Three outstanding cases remain.</p> <p>12/08/2022 - As above, two outstanding cases remain.</p>		
Outstanding actions (if any)	<p>14/10/2021 - Final part of action plan to be completed.</p> <p>14/02/2022 - Employer to continue to be chased by CPF, final part of action plan still to be completed.</p> <p>12/08/2022 - As above</p>		
Assessment of breach and brief summary of rationale	12/08/2022 - Status to remain green given progress. Breach can be closed once remaining two employee responses have been received.		
Reported to tPR	No		

Ref	A23	Date entered in register	21/05/2021
Status	Open	Date breached closed (if relevant)	
Title of Breach	Incorrect member contributions paid	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	When employees are stepping up from their substantive post to higher graded post, incorrect employee and employer contributions have been made. This is due to an incorrect recording on the payroll system.		
Category affected	Active and Deferred		
Numbers affected	20 current and previous employees		
Possible effect and wider implications	<ul style="list-style-type: none"> - As a result the employees may have less valuable pension rights, and so LGPS CARE pay and contributions will need to be checked and difference in contributions paid retrospectively. - LGPS Contributions will need to be collected from employer, and employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period. 		

Actions taken to rectify breach	21/05/2021- Process has been updated to ensure correct contributions/CARE pay going forward. - Liaising with employer to determine how best to put employees back in correct position retrospectively and letters to be sent to members to explain. 14/10/2021 Current employees contacted and all have agreed to pay outstanding contributions/payment plans agreed. 14/02/2022 - CPF Pensions Administration Manager has been chasing for final cases to be resolved. 22/05/2022 - Employer and Payroll provider being chased by CPF. Escalated to Payroll Team Leader. 12/08/2022 - Financial figures have now been provided by payroll department to the employer. Letters to the nine members that have left employment have been issued with a response date of the 16/9/22.
Outstanding actions (if any)	14/10/2021 - Employees who have left employment to be contacted to discuss options and agree actions. 14/02/2022 - Action above still outstanding. Ongoing chasing by CPF Pensions Administration Manager. 22/05/2022 - CPF will continue to chase payroll as Employer cannot progress until information provided by payroll. 12/08/2022 All follow up actions pending member response to be completed Oct/Nov 22.
Assessment of breach and brief summary of rationale	12/08/2022- Members who have left employment have now been contacted so are aware of the issue (9). Not all actions completed by employer therefore assessment of breach to remain as amber. Once responses received and follow up actions complete, breach can be closed.
Reported to tPR	No

Ref	A24	Date entered in register	22/05/2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	Individuals not offered membership of the scheme	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	Breach of Disclosure Regulations to a number of individuals who were not given the relevant paperwork to opt-in to the LGPS upon appointment in 2008.		
Category affected	Active members		
Numbers affected	A small number but total not yet known (expected to be less than 50)		
Possible effect and wider implications	- As a result the members may have less valuable pension rights, and so LGPS membership will need to be offered retrospectively to the affected members. - If any choose to proceed with retrospective membership, LGPS contributions will need to be collected from the members and then employee/employer contributions paid into Clwyd Pension Fund in relation to retrospective period.		
Actions taken to rectify breach	22/05/2022 Been liaising with employer to determine how best to proceed and develop a detailed plan of actions.		
Outstanding actions (if any)	22/05/2022 - If appropriate, relevant process and forms to be completed by all parties to confirm membership in CPF, payment of arrears of contributions to be made and pensions system to be updated reflecting correct membership. 12/08/2022 - waiting update from employer on action being taken.		
Assessment of breach and brief summary of rationale	12/08/2022 Waiting update from employer on action being taken. Will keep amber in the meantime due to small number of individuals impacted.		
Reported to tPR	No		

Ref	A25	Date entered in register	12/08/2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	Members entered into LGPS in error	Owner	KW
Party which caused the breach	Employer		
Description and cause of breach	Number of employees entered into LGPS by employer instead of alternative pension schemes.		
Category affected	Active members		
Numbers affected	18 employees		

Possible effect and wider implications	- As a result the employees may have different pension rights, and so LGPS membership will need to be deleted and membership to correct scheme applied retrospectively. - LGPS Contributions will need to be collected and returned to employer and employee/employer contributions paid into the correct scheme in relation to retrospective period. - Employer will need to liaise with alternative provider to create membership there.
Actions taken to rectify breach	12/08/2022- Liaising with employer and finance department to determine how best to put employees in correct position and detailed plan of actions is being developed.
Outstanding actions (if any)	12/08/2022 - Detailed plan of specific actions to be developed.
Assessment of breach and brief summary of rationale	12/08/2022 - Although relatively small number of employees affected, there is a number of stages required to resolve issue and members are currently unaware of the situation.
Reported to tPR	No

Ref	F73	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	24 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Marchweil Community Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to April 2022 were received within the deadline but no remittance advice was received. Previous breaches - multiple but last one F58 was back in Feb 2021, so first one in over a year.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 24/06/2022		
Reported to tPR	No		

Ref	F74	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	30 Jun 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Ruthin Town Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to April 2022 were not received within the deadline. Previous breaches F45, 55, 63, 64 with most being in last 12 months		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Received 30/06/2022		
Reported to tPR	No		

Ref	F75	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	30 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Ruthin Town Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions and remittance relating to April 2022 were not received. Previous breaches F45, 55, 63, 64, 74 with most being in last 12 months.
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	- 27/05/22 emailed Employer to request remittance
Outstanding actions (if any)	
Assessment of breach and brief	Received 30/06/2022
Reported to tPR	No

Ref	F77	Date entered in register	27 May 2022
Status	Closed	Date breached closed (if relevant)	13 Jun 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	North Wales Fire Service		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to April 2022 were not received within the deadline.		
Category affected	Active members and employer		
Numbers affected	179 active members		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 27/05/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Payment received 13/06/2022		
Reported to tPR	No		

Ref	F78	Date entered in register	24 Jun 2022
Status	Closed	Date breached closed (if relevant)	30 Jun 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Ruthin Town Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to May 2022 were not received within the deadline. Previous breaches F45, 55, 63, 64, 74, 75 with most being in last 12 months.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	-24/06/2022 - Internally escalated to Deputy Head of Pensions due to previous breach. Payment then received on 30 June so no further action required.		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	Although payment received 30/06/2022, this is fifth month of late payment or remittance in last twelve months so will check next month.		
Reported to tPR	No		

Ref	F79	Date entered in register	24 Jun 2022
Status	Closed	Date breached closed (if relevant)	30 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Ruthin Town Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to May 2022 were not received within the deadline and no remittance advice was received. Previous breaches F45, 55, 63, 64, 74, 75, 78 with most being in last 12 months.
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.
Actions taken to rectify breach	24/06/2022 - Internally escalated to Deputy Head of Pensions due to previous breach. Remittance then received on 30 June so no further action required.
Outstanding actions (if any)	
Assessment of breach and brief summary of rationale	Although remittance received 30/06/2022, this is fifth month of late payment or remittance in last twelve months so will check next month.
Reported to tPR	No

Ref	F80	Date entered in register	24 Jun 2022
Status	Closed	Date breached closed (if relevant)	24 Jun 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Connah's Quay Town Council		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to May 2022 were not received within the deadline. Previous breaches relate to 2019, other than F72.		
Category affected	Active members and employer		
Numbers affected	5 Active members		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 24/06/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Payment received 24/06/2022		
Reported to tPR	No		

Ref	F81	Date entered in register	24 Jun 2022
Status	Closed	Date breached closed (if relevant)	24 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Connah's Quay Town Council		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to May 2022 were not received within the deadline and no remittance advice was received. Previous breaches relate to 2019, other than F72 (and F80).		
Category affected	Active members and employer		
Numbers affected	5 Active members		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 24/06/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 24/06/2022		
Reported to tPR	No		

Ref	F82	Date entered in register	24 Jun 2022
Status	Closed	Date breached closed (if relevant)	30 Jun 2022
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Hafan Deg (K L Care Ltd)		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to May 2022 were received within the deadline but no remittance advice was received. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). This breach and F83 are the first breaches since Feb 2022.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 24/06/22 emailed Employer to request remittance		
Outstanding actions (if any)			
Assessment of breach and brief	Remittance received 30/06/2022		
Reported to tPR	No		

Ref	F83	Date entered in register	26 Jul 2022
Status	Closed	Date breached closed (if relevant)	01 Aug 2022
Title of Breach	Late payment of contributions	Owner	DF
Party which caused the breach	Hafan Deg (K L Care Ltd)		
Description and cause of breach	Contributions must be paid by the 22nd (if BACs) or 19th (if cheque) of the month following the deductions. Contributions in relation to June 2022 were not received within the deadline. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). This breach and F83 are the first breaches since Feb 2022.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		
Actions taken to rectify breach	- 26/07/22 emailed Employer to request payment		
Outstanding actions (if any)			
Assessment of breach and brief	Payment received 01/08/2022		
Reported to tPR	No		

Ref	F84	Date entered in register	26 Jul 2022
Status	Open	Date breached closed (if relevant)	
Title of Breach	No submission of contribution remittance advice	Owner	DF
Party which caused the breach	Hafan Deg (K L Care Ltd)		
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. Contributions relating to June 2022 were not received within the deadline and no remittance advice was received. Multiple breaches between 2019 and Feb 2022 (21 breaches in total). This breach and F82 are the first breaches since Feb 2022.		
Category affected	Active members and employer		
Numbers affected	1 active member		
Possible effect and wider implications	- Could expose employers to late payment interest charge. - Assumptions regarding funding assume regular monthly payment; not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.		

Actions taken to rectify breach	- 26/07/22 emailed Employer to request remittance
Outstanding actions (if any)	17/8/2022 Will pursue once staff member returns to work
Assessment of breach and brief summary of rationale	17/8/2022 Staff absences due to illness, remittance still outstanding. Although many breaches previously assessed as amber, but due to this hopefully being a short-term illness will reassess next month.
Reported to tPR	No

Mae'r dudalen hon yn wag yn bwrpasol

Delegation of Functions to Officers by Pension Fund Committee – August 2022

Key:

PFC – Pension Fund Committee

CFM – Corporate Finance Manager

Organisational Development

FA – Fund Actuary

PAP - Pension Advisory Panel

CE – Chief Executive CMHR - Corporate Manager – Human Resources and

IC – Investment Consultant

IA – Independent Advisor

HCPF – Head of Clwyd Pension Fund

DHCPF – Deputy Head of Clwyd Pension Fund

PAM – Pensions Administration Manager

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

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Tudalen 353</p> <p>Investment strategy - approving the Fund's investment strategy, Investment Strategy Statement of Investment Principles and Myners Compliance Statement including setting the Responsible Investment Policy and investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.</p> <p>Monitoring the implementation of these policies and strategies on an ongoing basis.</p>	<p>Rebalancing and cash management</p> <p>Implementation of strategic allocation including use of both rebalancing and conditional ranges</p> <p>Short term tactical decisions relating to the 'best ideas' portfolio</p> <p>Risk Management Framework - Implementation of the agreed market Flightpath triggers and deciding action(s) to be taken when Flightpath funding triggers are reached within the existing constraints of the</p>	<p>HCPF (having regard to ongoing advice of the IC and PAP)</p>	<p>High level monitoring at PFC with more detailed monitoring by PAP</p>

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	Investment Strategy (excluding 110% funding level trigger).		
	Risk Management Framework - Agreeing actions to be taken on 110% funding level trigger	HCPF following the process as outlined in the Appendix	The process as outlined in the Appendix
	Investment into new mandates / emerging opportunities	HCPF and either the CFM or CECMHR (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP
	Completion and submission of request to opt up to professional client status under the terms of MIFID II	HCPF	Ongoing reporting to PFC for noting, with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: • Nominating Flintshire County Council's officers to the Officer Working Group.	To be the CPF designated members of the Officer Working Group	HCPF and DHCPF	High level monitoring at PFC with more detailed monitoring by PAP
In relation to Wales Pooling Collaboration arrangements: • Delegating powers to Flintshire County Council's own officers and the Host Council where required.	All matters included in the Inter Authority Agreement as being responsibilities of officers and the Host Council	Officers – HCPF who may delegate to DHCPF subject to ongoing advice from CFM Host Council – Carmarthenshire County Council	High level monitoring at PFC with more detailed monitoring by PAP
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund	Ongoing monitoring of Fund Managers	HCPF and either the CFM or and CECMHR (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP

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

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

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>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.</p>	<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund including flexibility of exit payments and deferred debt arrangements².</p>	<p>HCPF and either the CFM or CECMHR after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.</p>	<p>Working with the actuary in determining the appropriate level of employer contributions for each employer between formal actuarial valuations³</p>	<p>HCPF and either the CFM or CECMHR after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>

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

³ Note that any employer appeals to decisions made by officers relating to the rate of contributions between valuations are to be decided by the Pension Fund Committee.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Discretions – determining how the various administering authority discretions are operated for the Fund.	Approving administering authority discretions policy (including the Voluntary Scheme Pays Policy and Over/underpayments Policy) other than in relation to: <ul style="list-style-type: none"> • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the preceding two rows. 	HCPF and either CFM or and CECMHR (having regard to the advice of the rest of the PAP)	Copy of policies to be circulated to PFC members once approved.
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HCPF and either the CFM or CECMHR , subject to agreement with Chair and Vice Chair (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice ⁴	HCPF	Regular reports provided to PFC and included in Annual Report and Accounts.

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

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

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Committee.	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Process for the actions to be taken following a breach of the 110% funding level trigger⁵

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

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

⁵ Agreed at 9 February 2022 Pension Fund Committee

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

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND - CALENDAR OF EVENTS

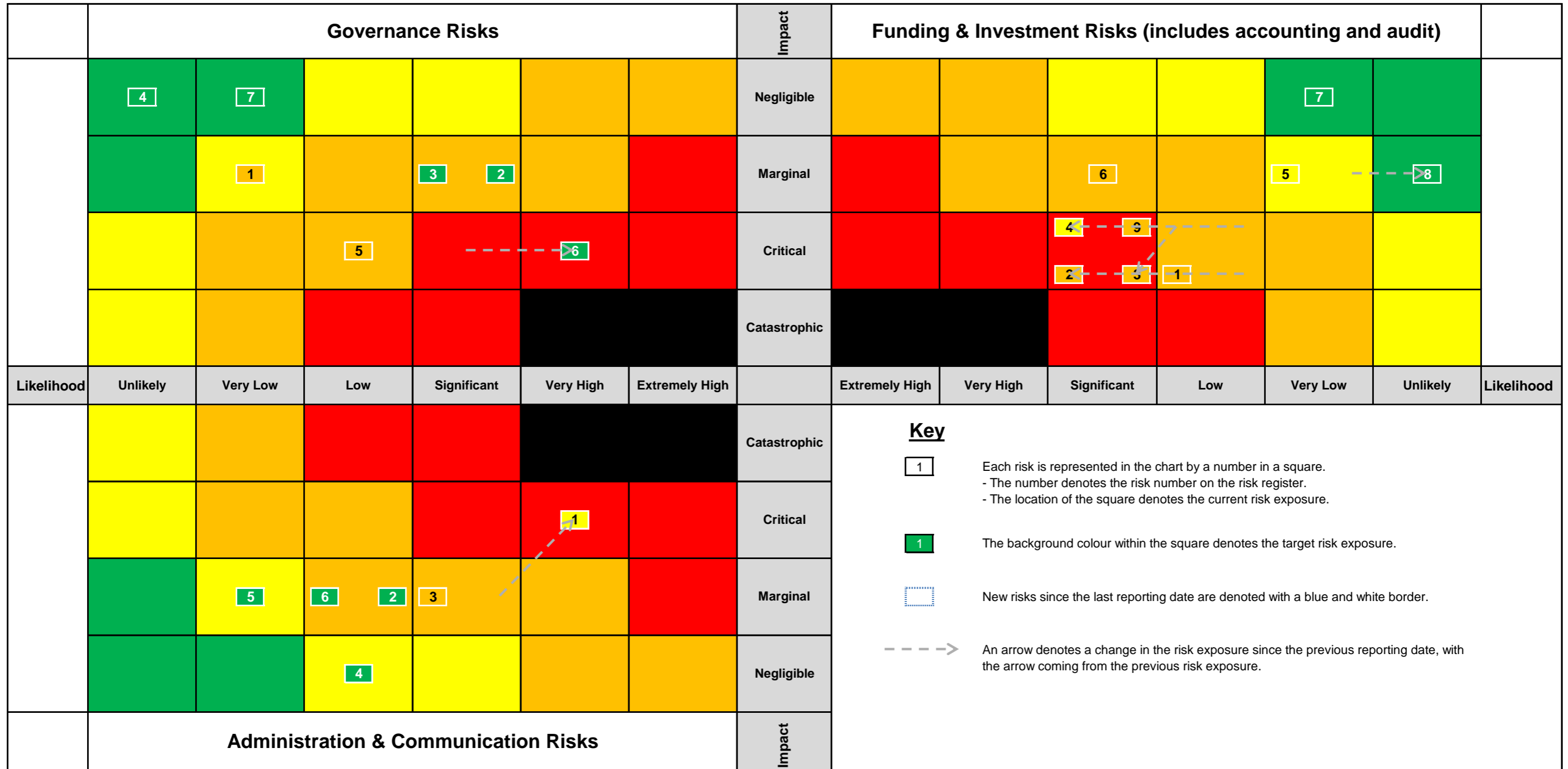
Month	Date	Day	Committee	Training and Other Events	Pension Board	Location
2022						
July						
Aug						
	24-Aug	Wed		Essential: Funding Strategy training 2.30pm - 4pm		Virtual
	31-Aug	Wed	9.30am - 12.30am			Virtual
Sept						
	30-Sep	Fri			9.30am - 2pm	TBC
Oct						
	05-Oct	Wed		Essential: Investment Strategy Review Training 10am - 12.30pm		TBC
Nov						
	23-Nov	Wed	9.30am - 12.30am			TBC
Dec						
	13-Dec	Tues		AJCM		TBC
2023						
Jan						
Feb						
	15-Feb	Wed	9.30am - 12.30am			TBC
Mar						
	01-Mar	Wed			9.30am - 2pm	TBC
	29-Mar	Wed	9.30am - 12.30am			TBC
Apr						
May						
Jun						
	21-Jun	Wed	9.30am - 12.30am			TBC
	27-Jun	Tues			9.30am - 2pm	TBC

Tudalen 363

Mae'r dudalen hon yn wag yn bwrpasol

All Fund Risk Heat Map and Summary of Governance Risks

Tudalen 365



Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy (02/2020), Knowledge and Skills Policy (09/2021) and Procedures for Reporting Breaches of the Law (03/2022)

- G1 Act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
- B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Very Low	Yellow	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	Orange	😊				Head of CPF	16/12/2022	16/08/2022	
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Marginal	Significant	Orange	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Knowledge and Skills Policy, plan, monitoring (regular self assessments) and induction training in place for PFC and PB members based on CIPFA Code/Framework 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed 7 - Different categories of Committee and Board members have different end of term dates, to ensure continuity 8 - Approved schedule of officer delegations, including ability for urgent matters to be agreed outside of formal Committee (involving Chair of PFC) 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible 10 - PFC and PB effectiveness surveys completed to ensure that PFC and PB meetings are as effective as possible	Negligible	Very Low	Green	😊	Current impact 1 too high Current likelihood 2 too high	05/05/2022	Dec 2022	1 - Further self assessment of training needs to be carried out in 2022/23 - after Welsh elections May 2022 (PL) 2 - Induction training for new members to be completed (PL) 3 - Carry out training needs analysis after induction training (PL)	Head of CPF	16/12/2022	16/08/2022
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Marginal	Significant	Orange	1 - CPF Conflicts of Interest Policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Knowledge and Skills Policy, Plan, monitoring (regular self assessments) and induction training in place for PFC and PB members including training on fiduciary responsibility and the CPF Conflicts Policy 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PFC, PB and officers in their responsibilities, with formal Advisory Panel 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility 7 - WPP Conflicts of Interests Policy in place	Negligible	Very Low	Green	😊	Current impact 1 too high Current likelihood 2 too high	26/01/2021	Dec 2022	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) (PL) 2 - Finalise induction training with new members on understanding their roles / responsibilities / potential conflicts of interest and how conflicts must be managed (PL)	Head of CPF	16/12/2022	16/08/2022
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Unlikely	Green	1- Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	Green	😊				Dep. Head of CPF	16/12/2022	16/08/2022	
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, Covid-19, asset pooling, levelling up and boycotts / divestments / sanctions)	G1 / G4 / G6 / G7	Critical	Low	Orange	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Officers on Wales Pool OVG, and Pension Board Chair attending WPP LPB Chair meetings 6 - Business Continuity and Cyber Security Policy in place 7 - Ongoing monitoring of cybercrime risk by AP 8 - McCloud planning undertaken and full programme management in place 9 - PFC, PB, AP, training etc taking place virtually whilst face to face meetings are not possible 10 - Covid-19 risk regularly considered including at AP	Marginal	Low	Orange	😊	Current impact 1 too high	28/02/2017	Mar 2023	1 - Regular ongoing monitoring by AP to consider if any action is necessary around potential areas of concern / change (PL) 2 - Deliver final aspects of cybercrime risk mitigations into BAU (PL) 3 - Refresh and document business continuity assessments/procedures (KW) 4 - Carry out Pension Dashboard project initiation meeting (KW)	Head of CPF	16/12/2022	16/08/2022
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Critical	Very High	Red	1 - Fundamental review of succession planning and resources carried out over 2017 to 2020 and new structures put in place 2 - Ongoing task/SLA reporting to management AP/PFC/PB to quickly identify issues 3 - Quarterly update reports consider resourcing matters 4 - Consultants provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan 6 - Impact of potential or actual Covid absences being discussed regularly ensuring priority work continues unaffected 7 - Resourcing regularly considered as part of major projects (e.g. McCloud)	Negligible	Very Low	Green	😊	Current impact 2 too high Current likelihood 3 too high	01/07/2016	May 2023	1 - Recruit to vacant governance, administration, communications, business, Fund accountant and Trainee Fund accountant roles. (PL) 2 - Ongoing consideration of business continuity including succession planning (PL) 3- Action plan being developed for recruitment, retention, succession planning (PL)	Head of CPF	30/09/2022	16/08/2022
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Negligible	Very Low	Green	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Knowledge and Skills policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns 10 - Outstanding actions relating to TPR Code reviewed regularly	Negligible	Very Low	Green	😊				1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF) 2 - Finalise induction training with new members on breaches recording/reporting procedures (PL)	Head of CPF	16/12/2022	16/08/2022

Eitem ar gyfer y Rhaglen 7



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31st August 2022
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The last update report was provided at the June Committee meeting, therefore this update report includes matters since that date.

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

The report includes updates on:

- Current Developments and News – this includes updates relating the triennial valuation and the successful update to the functionality of the payroll system.
- Day to day tasks and key performance indicators – showing the position to the end of July 2022.
- Resource - including an update on recruitment and retention and the recent movement within the Administration Team.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p>Business Plan 2022/23 Update</p> <p>Progress against the business plan items for quarters one and two of this year is positive for the majority of items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this quarter's work are as follows:</p> <ul style="list-style-type: none">• A1 – Preparation of Member Data for valuation and funding reviews – this critical area of work is on track and is due to be completed within agreed timescales.• A2 – McCloud judgement – as usual an update on this programme is included later in this report.• A3 – National Pensions Dashboard – Whilst work on this item is not due to start until Q3, the Pensions Administration Manager will share a few slides at the Committee meeting to explain what the Pensions Dashboard is and the impact this initiative will have on the Fund. An update on legislation and guidance related to the Pensions Dashboard is included in the next section of this report.• A6 – Review Policies and Strategies/Develop and implement a refreshed communications strategy – The new Communications Strategy was approved at the last Committee meeting. The Scheme Pays and Discretions Policies will be considered under the appropriate delegation and completed within Q2 which is one quarter behind schedule.• A7 – Review pensioner existence checking – the procurement of an external provider has now been completed with Western Union now carrying out mortality screening for overseas pensioners. The Fraud Policy development has commenced.• A8 – Conduct appropriate procurement and implementation (if necessary) for CPF administration system – The appropriate route to deal with this is currently being investigated by Fund officers.• A9 - Develop and implement a refreshed communications strategy - Due to the challenges with recruitment for the new Communications Officer, some of the stages within this item that have Q1 target dates have fallen behind schedule. Now the new Communications Officer is in place, the timing of the key stages of implementing the new Strategy have been reviewed and reprioritised, during this financial year.• E1 – McCloud ELT Services – Progress is being made with employers that are utilising the ELT to comply with the requirement to provide data to assist with the impact of the McCloud Judgement. There are some challenges in gaining access to the information which will be escalated to ensure key milestones are not impacted.
1.02	<p>Current Developments and News</p> <p>The following details developments and news in addition to business as usual</p>

McCloud update

CPF Programme Update - An update on the progress of the Clwyd Pension Fund McCloud programme is attached as Appendix 2. The programme currently has an overall health status of green, meaning that it is largely on track. The McCloud Team have reviewed the timescales for when employers are expected to submit their data by as it is expected that a proportion of the data may not be received and validated by the planned date, albeit it is not expected that this will impact on the overall delivery of the programme particularly given the recent update from the Department of Levelling up, Housing and Communities (DLUHC) which is shown below. An update on this and a proposal for the data validation process is being prepared for the Programme Management Group (PMG) approval.

Recent communications to deferred and active members included a McCloud update as approved by the PMG.

McCloud Regulatory Update - The response to the consultation on draft LGPS regulations which will implement the McCloud remedy has still not been issued by the DLUHC. However on 27 July DLUHC provided an update on expectations in relation to McCloud legislation and guidance which included the following:

Earlier this year, the Public Service Pensions and Judicial Offices Act 2022 ("the 2022 Act") received Royal Assent. The 2022 Act provides powers for the Government to rectify the McCloud age discrimination across all affected public service pension schemes. In DLUHC, work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales. Later this year, we intend to publish the Government's response to our 2020 consultation, in which we'll set out our decisions on the matters covered in that consultation. After the publication of the Government response, the Scheme Advisory Board will resume their McCloud implementation groups (including representatives of different LGPS stakeholders), and the Department will attend those meetings.

Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in Chapter 3 of Part 1 the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original consultation (for example, compensation and rates of interest). The regulations will be made later in 2023 and will come into force on 1 October 2023. We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.

This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage L G P S administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response, and will shortly be holding a meeting with software suppliers to discuss the implementation of the McCloud remedy to this

	<i>timetable.</i>
1.03	<p><i>National Pensions Dashboard</i></p> <p>The Pensions Administration Manager will provide a short training session on what the National Pensions Dashboard is. This update provides a summary of the recent developments regarding legislation and guidance that have been issued.</p> <p>There was a flurry of pensions dashboards activity in July. Firstly, the Department for Work and Pensions (DWP) issued their response on draft regulations for pensions dashboards which closed on 13 March 2022. The key headline for Public Sector Pension Schemes is that the staging deadline has been delayed from 30 April 2024 to 30 September 2024 to provide more time for the McCloud remedy to be implemented. Public Sector Pension Schemes will not need to provide value data (accrued and projected pension values) for members immediately – the LGPS will need to provide this by 1 April 2025 but can volunteer this before then.</p> <p>Hot on the heels of DWP’s response, the Pensions Dashboards Programme (PDP) launched a consultation on dashboard standards and guidance and a call for input on the design standards. The consultation and call for input will close on 30 August 2022. It is not proposed to do a Clwyd Pension Fund specific response to the consultation but the Pensions Administration Manager is inputting views as part of a Pensions and Lifetime Savings Association (PLSA) working group response, as she is a member of that working group.</p> <p>Dashboard standards will set out what providers and pension schemes are compelled to do by law and will include mandatory requirements to ensure the dashboard ecosystem is secure and puts members first. Non-compliance with standards could result in regulatory sanctions from the Pensions Regulator.</p> <p>The following seven standards are published for consultation:</p> <ol style="list-style-type: none"> 1. Operational standards 2. Security standards 3. Service standards 4. Data standards 5. Reporting standards 6. Application programming interface standards 7. Technical (other) standards <p>The dashboards guidance doesn’t have full legal status but sets out what providers and schemes must have regard to and therefore should be treated as best practice. There are four sets of guidance published for consultation:</p> <ol style="list-style-type: none"> 1. Connection guidance 2. Data usage guidance 3. Technical overview guidance 4. Early connection guidance <p>It is expected that legislation will be in place in November or December 2022, at which point the final standards and guidance will be confirmed and issued.</p>

	<p>It is likely the Fund will wish to use an Integrated Service Providers (ISP) to carry out much of the dashboard requirements in relation to the Fund. In which case the ISP should be keeping these standards in mind in preparing to connect to the dashboard.</p>
1.04	<p><i>Other updates</i></p> <ul style="list-style-type: none"> • The Technical and Payroll team have successfully produced the valuation extract and responded to the initial queries on data anomalies from the Fund Actuary. The number of anomalies has reduced significantly this year compared to the previous valuation in 2019 which is due to the hard work employers and the administration team in implementing i-Connect as well as other cleansing of data as reported within the Data Improvement Plan. • The Operations team continues to process the re-calculation of benefits due to the retrospective pay award for 2021/2022. Entitled employees can claim arrears of pay which directly results in a need for a recalculation of their pension benefits. This has impacted mostly on the retirement team, due to having to recalculate retirement and deferred benefits for a large number of scheme members. At the last Committee this was reported as 150 recalculations and this number has now increased to 204 in total. This scenario is likely to be repeated when the 2022/2023 pay award has been finalised. • The Technical and Payroll Team have successfully completed the transition over to new version of the pensioner payroll system. The functionality within the updated payroll system will provide a more efficient process of the annual Pension Increase award removing the current need for manual intervention to some 2,000 pensioner and dependant records each year which is needed to correctly apply the award to those members with more than one pension in payment. • The number of deferred members reaching age 60 and deciding to take their benefits continues to increase. The Technical Development Officer along with the Operations Team Leader are looking at future reports to identify if this trend is likely to continue and if so for how long. The outcome of the review will determine if resource levels are adequate within the operations team to keep up with the increasing number of calculations demanded of that team. Further monitoring will continue and an update will be provided at future Committee meetings. • The Fund is required to issue Pension Saving Statements (PSS) for scheme members who have exceeded the annual allowance during a tax year, and these must be issued by the legal deadline of 6 October in the following tax year. This is a very complex annual project; the team are currently working on these and it is likely that around 60 PSS will be issued this year (which is an increase from last year). As with last year, a save the date email has been issued to relevant members regarding the opportunity to attend a pensions tax webinar and an individual review session hosted by the Fund and delivered by Mercer. Given the complexity of the annual allowance, this will help the affected members understand what the annual allowance is and the implications of exceeding it.

1.05	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Administration Strategy</i> The latest monitoring information in relation to administration is outlined below:</p> <p><u>Day to day cases</u> – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis up to and including July 2022 since April 2019 as well as how this is split in relation to our three unitary authorities and all other employers.</p> <p>The number of cases completed by the team during May, June and July was 8,133 compared to 7,200 in the same reporting period last year. The number of incoming cases was 8,461 compared to 7,184 for the same period. Efficiencies and staff training continue to increase the number of cases that are completed but the volume of incoming work is also increasing. This combined with the difficulty to fill current vacancies, which is detailed in section 2.01 in this report means that the number of open cases has increased from 5,088 at the end of April to 5,290 at the end of July.</p>
1.06	<p><u>Key performance indicators</u> – Appendix 4 shows our performance against the KPIs that are measured on a monthly basis up to and including July 2022. The summary reports illustrate the number of cases that have been completed over either 3 months or 12 months, as well as the proportion completed within the agreed KPI target timescales.</p> <p>On average the number of completed joiner, leaver and retirement cases has increased over the last three months and as mentioned earlier the number is higher compared to the last 12 months with an improvement to the number completed within the legal timescales over 12 months.</p> <p>The key processes that cause some concern over the last three months are transfers in, retirements and deaths:</p> <ul style="list-style-type: none"> • For transfers, internal training is nearing completion but the time to complete them has time to complete each case has increased due to changes in legal requirements around pension scams • The number of retirements completed in the three month period has increased substantially despite the decrease in number achieving the KPI • The death KPI is consistent with the full 12 month KPI. However this is an area where a new member of staff will need to be trained due to an existing staff member resigning. <p>Other matters for consideration relating to performance this quarter are:</p> <ul style="list-style-type: none"> • Retrospective 2021-22 pay award – As mentioned previously, this continues to add a considerable number of benefit recalculations to existing high workloads. The same key staff members that calculate the retirements are also responsible for the recalculations. This is likely to impact the team again once the pay award for 2022/23 has been agreed. The numbers relating to these are not included in the KPIs. • The Operations Team continue to reduce numbers in older outstanding deferred benefit calculations. Currently there are only 9

deferred benefit calculation cases that relate to pre April 2021 and 32 cases that relate to pre April 2022 out of a total of 188. It is worth noting that when these cases are completed, they will have a negative impact on the KPI measure (because they have missed the target timescale) but this will improve over time.

The retention and recruitment pressures are beginning to become evident in the case tracking and KPIs as can be seen from the graphs in Appendices 4 and 5. Staff members continue to work additional hours, if possible, and the priority for the Operations Team continues to be for cases where a payment is made either to an individual or a third party. The management of challenging regulatory timescales for significant numbers of cases will continue to be difficult particularly as we approach the typical holiday season with less staff.

1.07

Internal dispute resolution procedures (IDRP)

There is one remaining IDRP case for 2019/2020 still outstanding. This is ongoing due to initial COVID delays and the employer not being able to obtain medical reports from the member's GP. The GP has now submitted some medical reports and the employer is reviewing these.

In relation to the cases for 2021/2022:

- There are seven Stage One appeals against employers. Three have been rejected, one has been upheld and three are still ongoing.
1. Of the three that have been rejected or invalidated, one related to non-award of redundancy pension when the member believed they had been made redundant, one was for non-award of ill health retirement, and the third is an appeal made by a member who is not being permitted to work more than 2 years beyond their flexible retirement date.
 2. The appeal that was upheld was in relation to a member who was initially only awarded tier 3 ill health retirement. He has now been awarded tier 1 ill health retirement after going through the appeal process.
 3. The three outstanding appeals all relate to either non award of ill health retirement or the member disagreeing with the tier of ill health retirement awarded.
- No Stage Two appeals were made during this scheme year.

In relation to the cases for 2022/2023:

- There are four Stage One appeals against employers. All of them relate to non-award of ill health retirement. One of those appeals has been rejected and three of them are still ongoing.
- Currently, no Stage Two appeals have been made by any members.

	2021/2022			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	7	1	3	3
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0

	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	4	0	1	3
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	0	0	0	0
Stage 2 - Against Administering Authority	0	0	0	0
There are no Clwyd Pension Fund cases that are currently with the Pensions Ombudsman.				
1.08	<p><i>Communications Strategy</i></p> <p>Following on from the approval of the new Communications Strategy at the last committee meeting, the Communications Team are working towards producing various types of communication to further increase engagement with employers and scheme members. The following communications have been provided since the last update:</p> <ul style="list-style-type: none"> • Six emails have been sent to all employers providing information in relation to various matters including updated HR and Payroll guides, relevant dates for the 2022 Benefit Statements for both active and deferred members and a copy of Deferred Diaries. A request was made to employers to remind their employees (via pay slip messages, infonet etc.) that Annual Benefit Statements (ABS) will be issued by the end of August and scheme members should log into Member Self Service (MSS) to view them (unless they have opted for paper copies which will be posted). • As the annual individual member 1-2-1 season comes to an end, the final six sessions have taken place in conjunction with a pre-retirement seminar for North Wales Fire Service employees. In total, 116 1-2-1 sessions were provided for scheme members either virtually or face to face. Going forward, the new Communication Strategy will be looking for alternative means of engaging with scheme members, as pro-actively offering and then carrying out 1-2-1s is very resource intensive. • A number of training sessions have also been provided for Flintshire County Council employees in relation to LGPS employer responsibilities including where a contract award results in a transfer of Council employees to a new employer. One of the sessions was recorded to assist with induction training and also provide refresher training to existing employees that were unable to attend. 			
1.09	<p>Other key points in relation to communications include:</p> <ul style="list-style-type: none"> • The deferred member benefit statements were issued in June in accordance with members' communication preferences (posted paper copies where requested, and otherwise loaded onto MSS) along with guidance notes and Deferred Diaries newsletter. The active member benefit statements are due to be issued by the end of August. 			

	<ul style="list-style-type: none"> Members of the Senior Leadership Team within Wrexham County Borough Council attended a pensions overview and pensions taxation training session this month. The Communications Team Leader along with a pensions taxation specialist from Mercer presented the training session.
1.10	<p>Appendix 5 provides an updated summary of MSS registered users, which illustrates that enrolment to MSS has started to level out compared to previous reporting periods. The total number of members that have registered is just over 50% of the scheme membership. The number of members that have opted for paper correspondence is approximately 16% of the scheme membership. Although this is a high percentage of members in total, there is still over 30% of scheme members have not registered on MSS and not opted for paper communications, and are potentially missing out on information about their benefits. The focus going forward will be to engage with those members and to reduce this gap.</p> <p>For those members that are registered, use of the facility continues to increase. During the three month reporting period:</p> <ul style="list-style-type: none"> 174 members have requested a retirement pack for their deferred benefit via MSS the benefit projector continues to be a very popular function with 12,324 benefit projections having been calculated using MSS functionality there have also been 450 changes to member's Expression of Wish details and 345 address updates.
1.11	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>Following on from a lengthy recruitment process, involving a review of the job description and person specification, a new Communication Officer has been appointed and started with the team at the beginning of August.</p> <p>Since the last update, a further five positions (a mixture of full-time and part-time) across the Administration Team become vacant, four due to resignations and the fifth due to a staff member returning to their substantive part-time hours. This is in addition to the existing Pension Officer vacancy within the Employer Liaison Team and the temporary Pension Officer positions within the McCloud Team. Some of these positions have been successfully filled by the promotion of existing staff members and the recruitment of one external candidate. At the time of writing there are seven vacant posts.</p> <p>At the time of writing, the Pensions Administration Manager was working closely with Flintshire County Council HR department to develop a</p>

	<p>recruitment campaign to fill those vacant positions. The campaign includes visiting local colleges on results day to potentially attract students that have come to the end of their studies.</p> <p>As in the last update, it is proposed that any remaining vacant positions are advertised at the lower Pension Assistant grade where recruitment is likely to be easier, albeit it is recognised this will result in a greater level of training with the successful candidate(s).</p> <p>Staffing levels will be continuously reviewed within the McCloud, ELT and Administration Teams, and consideration given in relation to potential peaks in workload as the McCloud Programme progresses and due to other major projects, such as the National Pensions Dashboard, back-dated pay awards and the outcome of the review in relation to the number of deferred members reaching age 60 and deciding to take their benefits.</p>
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>Appendix 6 provides the dashboard and the extract of administration and communications risks. The only risk with any key changes made to it since the June Committee is as follows:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations due to staff issues. This risk relates to the challenge of recruitment and having sufficient staff numbers to meet expectations. As described in section 2.01 of this report, we are having ongoing issues with retention and recruitment that is beginning to impact on workloads. Accordingly, this impact this risk has been increased from Marginal to Critical, and the likelihood from Significant to Very High. Various initiatives are being carried out to try to turn this around.
4.02	<p>The key risks which are furthest from target relate to:</p> <ul style="list-style-type: none"> • Risk number 1 - Unable to meet legal and performance expectations due to staff issues. • Risk number 2 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues. • Risk number 6 – Service provision is interrupted due to system failure or unavailability.

5.00	APPENDICES
5.01	<p>Appendix 1 - Business Plan 2022-23 to 2024-25 Appendix 2 – McCloud Programme update report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators</p>

Appendix 5 – Member Self Service update Appendix 6 – Risk register update
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Pensions Dashboard: <ul style="list-style-type: none"> ○ DWP response to consultation - https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022/outcome/government-response-draft-pensions-dashboards-regulations-2022 ○ PDP dashboards standards consultation - https://www.pensionsdashboardsprogramme.org.uk/standards/pensions-dashboards-standards-consultation/ ○ PDP call for input on design standards – https://www.pensionsdashboardsprogramme.org.uk/standards/design-standards/ • Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to Pension Fund Committee – Communications Strategy (June 2022) • Report to Pension Fund Committee - 2022/23 Business Plan (March 2022) <p>Contact Officer: Karen Williams, Pensions Administration Manager Telephone: 01352 702963 E-mail: karen.williams@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p>


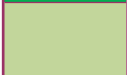


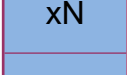

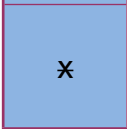
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|---|
| <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.</p> <p>(h) DLUHC – Department of Levelling Up, Housing and Communities – the government department responsible for the LGPS legislation.</p> |
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Business Plan 2022/23 to 2024/25 – Q1 & 2 Update

Administration, Communications & Employer Liaison Team

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

Administration (including Communications) and Employer Liaison

Team Tasks

Ref	Key Action –Task	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
Essential Regulatory Driven Areas							
A1	Preparation of Member Data for Valuation and Funding Reviews	x	x				
A2	McCloud judgement	x	x	x	x	x	
Priority Fund Driven Projects							
A6	Review Administration & Communications Related Policies and Strategies	x					x
A7	Review pensioner existence checking	x	x	x			
A8	Conduct appropriate procurement and implementation (if necessary) for CPF administration system	x	x	x	x	x	
A9	Develop and implement a refreshed communications strategy	x	x	x	x	x	x
Lower Priority Fund Driven Projects							
Employer Liaison Team (ELT) Projects							
E1	McCloud ELT Services	x	x	x	x	x	

Administration, Communication and Employer Liaison Team Task Descriptions

Essential Regulatory Driven Areas

A1 – Preparation of Member Data for Valuation and Funding Reviews

What is it?

The triennial actuarial valuation as at 31 March 2022 requires the pension administration team to provide data to the actuary. This involves an additional year end cleansing exercise post 31 March 2022 to ensure the data is of sufficient quality for the valuation and to then rectify any anomalies discovered during the valuation process. The CPF data is expected to be more robust than in previous years due to ongoing work implementing i-Connect and dealing with backlogs. An interim valuation was completed during 2021/22 where some initial data validation has been completed already, which highlighted an area to investigate. As a result further work will be done working with employers to close down casual workers records where appropriate.

It is hoped that data can be submitted to the Fund actuary by early July with any data cleansing being investigated and responded to by 31 July 2022.

Timescales and Stages

Preparation of data for 31 March 2022 valuation	2022/23 Q1 to Q2
Investigating and responding to data queries from Fund Actuary	2022/23 Q2

Resource and Budget Implications

This will be carried out by the Technical Team in the main with assistance from the rest of the Operations Team depending on the requirements. All internal costs are being met from the existing budget. The work by the Fund Actuary is also included in proposed budget for 2022/23.

A2 – McCloud judgement

What is it?

The McCloud case has highlighted 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. This 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). MHCLG (now DLUHC) issued a consultation setting out its proposals for implementing the McCloud judgement in the LGPS in July 2020. This focused on remedies which will result in changes to scheme benefits some of which will be retrospective. DLUHC’s response to the consultation feedback is expected in Summer 2022, along with LGPS regulations. The primary legislation which will enable remedial changes to the LGPS is currently working its way through Parliament.

From an administrative perspective, the impact of the court case is expected to result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration processes and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource requirements are significant. Whilst regulations are awaited, the focus is on:

- ensuring any existing backlogs or data cleansing are cleared
- fast-tracking training within the team to ensure wider and more senior work knowledge across the existing team members
- collecting data required to calculate the statutory underpin

The Fund has established the McCloud programme to implement the remedy for Clwyd Pension Fund. This includes some team members who will be 100% dedicated to this work for the duration of the programme.

Timescales and Stages

Data collection from all employers (commenced during 2020/21)	By 31/05/2022
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Validate data from all employers (commenced during 2020/21)	By 31/08/2022
Use of interface to upload data / data cleansing	2022/23 Q1 to Q3
Load all data onto Altair	By 31/12/2022
Final regulations come into force benefit recalculations can be made	Estimated 01/04/2023
Verifying impact on members and benefit recalculations	By 30/04/2023

Resource and Budget Implications

Although the work is being led and managed by a separate CPF McCloud programme team, it will impact across all of the Administration Team. An estimated allowance for additional resource has been included in the 2022/23 budget, which assumes 7.5 FTE internal posts, 2 of which are within ELT and therefore will be recharged to employers using that service. There are also additional costs relating to consultancy (including programme management which has been outsourced), incidentals such as postage and printing, and system costs. The budget for 2022/23 is £623k in total.

Priority Fund Driven Projects

A6 - Review Administration and Communication Related Policies and Strategies

What is it?

The CPF Administration Strategy was last approved at the May 2021 PFC and the CPF Communications Strategy was last approved at the September 2019 PFC. The strategies state that they will be reviewed at least once every three years to ensure they remain relevant and up to date. The Communications Strategy is undergoing a more fundamental review and that work is included in A9 below.

There are a number of other administration and communications related policies that also need to be reviewed regularly as shown in the table below.

Timescales and Stages

Review of Administration Strategy (last approved May 2021)	2024/25 Q1
Review of Communications Strategy (last approved September 2019)	2022/23 Q1
Review of Scheme Pays Policy (last approved April 2019)	2022/23 Q1
Review of Administering Authority Discretionary Policy (last approved April 2019)	2022/23 Q1
Review of Under / Overpayment Policy (approved September 2021)	2024/25 Q2
Personal Data Retention Policy (assuming reviewed March 2022)	2024/25 Q4
Policy for Administration and Communications of Tax Allowances to Scheme Members (new policy – assuming approved March 2022)	2024/25 Q4

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs are being met from the existing budget other than the review of the Communications Strategy where Aon’s costs are included within the budget for 2022/23.

A7 – Review pensioner existence checking

What is it?

When a scheme member retires, a pension is put into payment following the retirement process being completed. Dependants’ pensions are often paid following the death of a pensioner. These pensions are paid continually until the Fund is notified of the pensioner’s/dependant’s death which could be by a relative, executor or another via another source, such as TellUsOnce or the member’s bank. As the Fund relies on notification of the pensioner’s/dependant’s death, there is a chance that pension payments could continue in error where the pensioner’s/dependant’s death is not notified or identified in a timely manner, either unintentionally or as a result of fraud from a person connected to the pensioner/dependant. Whilst the Fund is confident that adequate reporting procedures are in place for UK residents through the National Fraud Initiative (NFI) and monthly mortality reporting via ATMOS, it is important that from time to time the Fund verifies that all overseas pensioners or dependants currently receiving a pension are still alive so that pensions for any person who cannot be verified do not continue to be paid. This exercise was last conducted in 2014 using a paper based verification exercise for all pensioner/dependants. There are now more efficient and effective ways to carry out pensioner existence checking through specialist providers. It is planned to review the appropriateness of the current processes in place to manage fraud in the event of death of pensioners/dependants, and put in place a fraud policy. This is likely to result in an additional process for overseas members by procuring an external provider to assist in pensioner existence screening (known as mortality screening).

Timescales and Stages

Review current processes and develop Fraud Policy	2022/23 Q1 to 3
Procurement of an external provider to assist with mortality screening	2022/23 Q1 to 2

Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. All internal costs are being met from the existing budget albeit there will be additional costs relating to the external provider which are not yet known – an allowance of £5k has been included in 2022/23 for this.

A8 - Conduct appropriate procurement and implementation (if necessary) for CPF administration system

What is it?

The Fund has a rolling one-year contract with Heywood Pension Technology in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2019 actuarial valuation, implementing i-Connect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed to defer this. Between 2019 and 2021 CPF worked with other founder authorities to develop a national framework for LGPS administration systems. Now that the framework is in place, it will be used for the Fund to carry out their own tender for an administration system. Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Timescales and Stages

Conduct appropriate procurement for CPF administration system	2022/23 Q1 to Q3
Transition to new administration system if required	2022/23 Q4 to 2023/24

Resource and Budget Implications

To be led by Pension Administration Manager and Principal Pensions Officer - Technical. The current year system costs will be higher than 2021/22 if the existing provider is maintained due to license fees. This has been incorporated into the existing budget as the minimum costs this year. If transition to a new system is required, there are likely to be significant transition costs and the ongoing cost of systems included in the budget will need to be increased appropriately.

A9 – Develop and implement a refreshed communications strategy

What is it?

Fund members often have questions, need information or require a process to be completed by the Fund; this can equally apply to the Fund’s employers. For Fund members, these points of engagement are the key time to increase awareness of the benefits of the Fund and how it works, encourage members to take ownership of their pension and maintain and build positive member experiences wherever they are on their journey. They rely on efficient processes and data coming from employers and the Fund can also enhance efficiency through better use of technology in its communications.

The initial elements of this project will focus on communications with scheme members and will involve:

- Research into member preferences and effectiveness of new communications through focus groups, revised member/employer surveys and a review group to test proposed new communications.
- Creating a communication plan that ensures communication reaches members at the moments that matter to them, which will require a new approach such as segmenting

communication by age and focussing on more visual and shorter digital communications.

- Developing messaging and branding for consistent use in all Fund communications ensuring all communications are recognisable, understandable, and accessible for scheme members, employers and other stakeholders.
- Creating a visual roadmap showing members 'moments that matter' to help them understand the value of their pensions and take key decisions.
- Developing a range of videos/webcasts (for loading on the Fund's website) for employers and scheme members relating to various subject matters.
- Reviewing the structure and content of the Fund's website.
- Driving greater use of online services, such as Member Self-Service, through phased promotion exercises and continuing to develop the range of online processes that are available.
- Continuing to focus on collecting email addresses through redesigning of all forms.
- Measuring against a new Fund's communications efficiency objective through monitoring time spent on member 1-2-1s and phone calls for all Administration Team members.

Any changes to how we engage with employers and other stakeholders, in line with the new Communications Strategy, will be considered in 2023/24.

Timescales and Stages

Approve revised Communications Strategy (as per A6 above)	2022/23 Q1
Recruit new Communications Officer	By 2022/23 Q1
Run focus groups and establish test review group for new communications and plan approach to annual surveys (and run first survey)	2022/23 Q1 & Q2
Create a new communication plan	2022/23 Q2 & Q3
Develop messaging and branding guidelines	2022/23 Q1 & Q2
Review the structure and content of the Fund's website	2022/23 Q1 to Q3
Develop initial phase of videos and webcasts for the website	2022/23 Q1 to Q4
Drive greater use of MSS through promotion exercises and develop ongoing plan for promotion	2022/23 Q1 to Q4
Continue to develop the range of online processes	2022/23 Q1 to Q4
Finalise redesign of forms to collect email addresses	2022/23 Q1 to Q4
Ongoing development and delivery of communications relating to new communication plan	2022/23 to 2024/25
Measure efficiency improvements through logging 1-2-1s and telephone calls	2022/23 to 2024/25
Create and deliver a visual roadmap (the journey to retirement)	2023/24
Consider engagement with employers and other stakeholders	2023/24

Resource and Budget Implications

These projects involve a mix of the various teams within the Administration Team with external support from Aon. Internal costs are being met from the existing budget and external consultancy costs are included within Aon's budget for 2022/23. The ability to deliver on these areas to these timescales may depend on resourcing within the Administration Team and in particular whether and when the vacant Communications Officer post is filled.

Employer Liaison Team Projects

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the CPF offers assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It undertakes outstanding requests for information in order to cleanse the pension records. All ELT costs are recharged to employers using the ELT service through their employer contribution rate.

Resources continue to be reviewed to meet demand depending on ongoing employer uptake. The total budget allocated for 2022/23 is £363k which includes £62k of staffing costs to allow for two new posts if required. £60k of this total budget relates to temporary McCloud services.

E1 – McCloud ELT Services

What is it?

Provide and continue developing ELT services in relation to data provision and other ongoing support to assist with the impact of the McCloud Judgement.

Timescales and Stages

Assisting employers with data collation for McCloud	2022/23 Q1 to 4 and 2023/24
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Mae'r dudalen hon yn wag yn bwrpasol

**Cronfa Bensiynau Clwyd
Clwyd Pension Fund**

Administered by



Tudalen 389
Clwyd Pension Fund

McCloud Programme Update

Prepared for: Clwyd Pension Fund Pension Committee

Prepared by: Aon

Date: 16 August 2022

High level Programme Plan

Key	Description
Complete	Complete
On track	On track
Overdue	Overdue
At risk	At risk
Not started	Not started

Workstream /key deliverables	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22 to Sep-23	Oct-23
Regulations																									
i. Submit Fund response (milestone 1)	x																								
ii. Consultation response & draft regulations from DLUCH (milestone 2)																								x	
iii. Ministerial statement								x																	
iv. Regulations made (milestone 3) – estimated																									x
v. Regulations come into effect (milestone 4)*																									x
Communications workstream																									
i. Pensions Saving Statements issued	x																								
ii. Pensions Extra issued	x																								
iii. Other McCloud communications (TBC)								x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Data workstream including Heywood McCloud data solutions																									
i. Data collection template, decision process and collection protocol & employer questionnaire	x	x	x	x	x	x	x	x																	
ii. Employer engagement – pilots, 1to1s, monitor/manage timetables		x	x	x	x	x	x	x	x	x															
iii. Data collection from employers, review & validate data				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
iv. Data decision protocol – flowchart / roadmap – draft, finalise							x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
v. Heywood confirm data solutions and timescales		x	x	x	x	x	x	x	x	x	x														
vi. Upload data, testing, final, further cleansing / manual input																						x	x	x	
vii. Further data cleansing / manual input																						x	x	x	
Funding, accounting and cashflows workstream																									
i. Agree plan with actuary regarding funding implications, contributions etc																									x
ii. Delivery - TBC																									x
Ongoing administration																									
i. Scoping workstream																									x
ii. Delivery																									x
Benefits rectification																									
i. Scoping workstream																									x
ii. Receive further details and patch releases of initial Heywood functionality, testing															x	x	x	x	x	x	x	x	x	x	x
iii. Delivery (other)																									x
Programme meetings																									
i. Workstream meetings including governance	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ii. PMG / SG meetings		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

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

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

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

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

Key deliverables 1 January 2022 – 31 December 2022

Programme workstream deliverables / Description	Responsibility	Sign-off	Deadline	Notes	Status
1. Data collection – checking, validations & uploading i. Data collection ii. Data checking and quality analysis (data validation procedure) iii. Data uploading to Altair	Data workstream	PMG	December 2022	Full data collected for XX employers and part data for YY (includes FCC, DCC and Wrexham County Council). Data team to form a proposal around data validation process for PMG approval.	AW8
				Data validation expected to be complete by October 2022 for 90%* of in scope membership and loaded to Altair by the end of 2022. PMG sign off required before upload commences (*Data validation deadline moved from 100% to 90% by end October. This is not expected to have a detrimental impact on the programme deliverables / key milestones.)	In progress
2. Heywood McCloud solutions i. Heywood plans for benefits rectification and ongoing administration	Data workstream	PMG	December 2022	Timescale has been changed due to delays in consultation response. Ongoing consideration by Heywood – further consultation and decisions from DLUHC.	In progress
3. McCloud communications i. Clwyd catch up – McCloud article ii. Combined DBS / newsletter - McCloud wording iii. ABS / newsletter – McCloud wording	Communications workstream	PMG / SG	March 2022 May 2022 June 2022	Various communications including wording in respect of McCloud.	Complete
4. Consultation outcome announcement / ministerial statement / regulations	n/a	n/a	Autumn 2022 to Autumn 2023	Consultation announcement from DLUHC which was expected in July 2022, now expected later in 2022. It is expected to provide clarity in a number of areas and will be accompanied by a further set of draft regulations and further areas for consultation, which will be consulted on in early 2023. The LGPS regulations will be made later in 2023 and come into force by 1 October 2023 (noting previously this was “on” 1 April 2023). In Autumn/Winter 2022 it is hoped draft guidance will be issued by SAB, which may be adopted as statutory guidance by DLUHC once it has been consulted on.	In progress
5. Programme meetings i. Data workstream (every 3 weeks) ii. Communications workstream (2 per quarter) iii. Other workstreams (TBC) iv. PMG (2 per quarter) v. SG (bi-annually)	Programme Manager	n/a	Ongoing	Agree appropriate time to commence other workstream meetings – benefits rectification workstream expected to commence in late Autumn 2022. Update reports provided to SG where full meetings are not deemed required.	In progress

Slide 3

AW8

KW to discuss with JT and update based on revised deadlines (discussed at July mini data w/s meeting)

Angela Whatmuff, 10/08/22

Programme success criteria (SC)

SC1	Identify in-scope members with 100% accuracy
SC2	Obtain and load to the administration system all data required to calculate final salary underpin, adopting agreed assumptions where data cannot be reasonably obtained
SC3	Administration processes and systems are all amended and operate in line with the regulations from the effective date
SC4	Benefit rectification is completed accurately for all affected members by the required/agreed date
SC5	Member communications are effective, evidenced by few queries and complaints
SC6	Automation minimizes the impact on resources and SLAs/KPIs during implementation, rectification and ongoing administration
SC7	The programme is completed without unplanned disruption to business as usual and other Clwyd Pension Fund projects
SC8	The programme is completed within budget and timescale (subject to reasonable tolerances), noting that these will be agreed and reassessed from time to time throughout the programme.
SC9	The additional costs falling to employers transpire to have been reasonably estimated at the 2019 actuarial valuation

Programme Risks (1 of 2) – current risks furthest from target

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Owner	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
3	Unable to load data efficiently and accurately, and in a timely manner	Data cannot be loaded onto the system in an efficient, accurate and timely manner, leading to project delays or issues with the underpin calculation. Risk covers inappropriate data format provided from employer as well as issues with uploading the data into the interface.	Data Workstream	Jayne Taylor	SC1, SC2, SC8	Critical	Very High (65%)		<ol style="list-style-type: none"> 1. Early engagement with Heywood on a one to one basis. 2. Initial virtual meeting and ongoing one-to one meetings with employers to highlight strict data requirements/formats. 3. Full instructions, including checklist provided to all employers at initial engagement stage. 4. Ongoing discussions around resourcing including upskilling and flexibility of employees. 	Negligible	Unlikely (5%)	
5	Insufficient or inappropriate resources	Inability to source appropriate resources required to deliver the programme deliverables (including data uploading) in the required timescales	Programme Management Group	Karen Williams	SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> 1. Thorough programme planning, scoping of work & recruitment programme (recruitment is currently underway at June 2020, and further recruitment from March 2021). 2. Forward planning and ongoing monitoring of resource requirements. 3. Concern raised and action taken as matter of urgency. 4. Flexibility to utilise resource (including training or physical resource) from consultants if required. 5. Refer all stakeholders to roles and responsibilities document to ensure resources are matched with correct roles alongside regular reminder at points throughout the programme. 6. Strong engagement with software supplier looking for alternative efficiencies. 7. Build resourcing plan (discussed & agreed with ERs) & understanding staff skill 8. Monitoring resource of Alicia Howells' team once more info on toolkit provided / Consider interface process being carried out in McCloud team (after training). 9. Consideration of external resource. 	Negligible	Very Low (15%)	
30	Heywood toolkit – not fit for purpose or delay in provision or service	Inability to identify aggregation cases leading to inaccurate benefit calculations and / or delay to provision of toolkit resulting in programme delays or detrimental impact on programme resourcing	Data Workstream	Jane Taylor	SC2, SC3, SC8	Critical	Significant (50%)		<ol style="list-style-type: none"> 1. Pressure on Heywood client manager to come up with a feasible solution 2. Stop deleting status 8s 3. Try to identify cases to come up with an action plan if Heywood cannot come up with a workable solution (potentially liaise with other funds) 4. Work out overlapping cases. 	Negligible	Unlikely (5%)	
39	Adhering to the new communications strategy	Objectives of the Communications strategy are not met by McCloud Communications	Communications Workstream	Kath Meacock	SC5	Critical	Very High (65%)		<ol style="list-style-type: none"> 1. Development of an implementation plan. 2. Comms officer to be added to comms workstream. 	Negligible	Unlikely (5%)	

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Programme Risks (2 of 2) – current risks furthest from target

There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

Risk no	Risk overview (this will happen)	Risk description (if this happens)	Programme Group	Owner	Success criteria at risk	Current risk impact	Current risk likelihood	Current risk status	Proposed controls in place	Target risk impact	Target risk likelihood	Target risk status
6	Other external interference	Work on other projects including GMP Equalisation / cost cap / Goodwin case / pensions dashboard leading to resource constraints on McCloud programme unable to be delivered.	Programme Management Group	Karen Williams	SC7	Critical	Significant (50%)		<ol style="list-style-type: none"> 1. Thorough programme planning linking in with BAU planning. 2. Attendance of VB and KM on working groups allowing stakeholders to keep abreast of developments. 3. Data cleansing can still be done and staff to be side-tracked temporarily to assist with work on the other projects where appropriate. 	Critical	Very Low (15%)	
13	Final regulations	Regulations are delayed, do not meet objectives or are subject to further challenge, leading to programme delays (including delay in toolkit production) and impact on budgets	Programme Management Group	Karen Williams	SC7, SC8	Critical	Extremely High (80%)		<ol style="list-style-type: none"> 1. Thorough project planning. 2. Attendance of VB & KM on working groups allowing stakeholders to keep abreast of developments. 3. Ongoing engagement with Heywood, volunteered as testing site. 4. Manual uploads with some of the smaller employers. 	Critical	Very Low (15%)	

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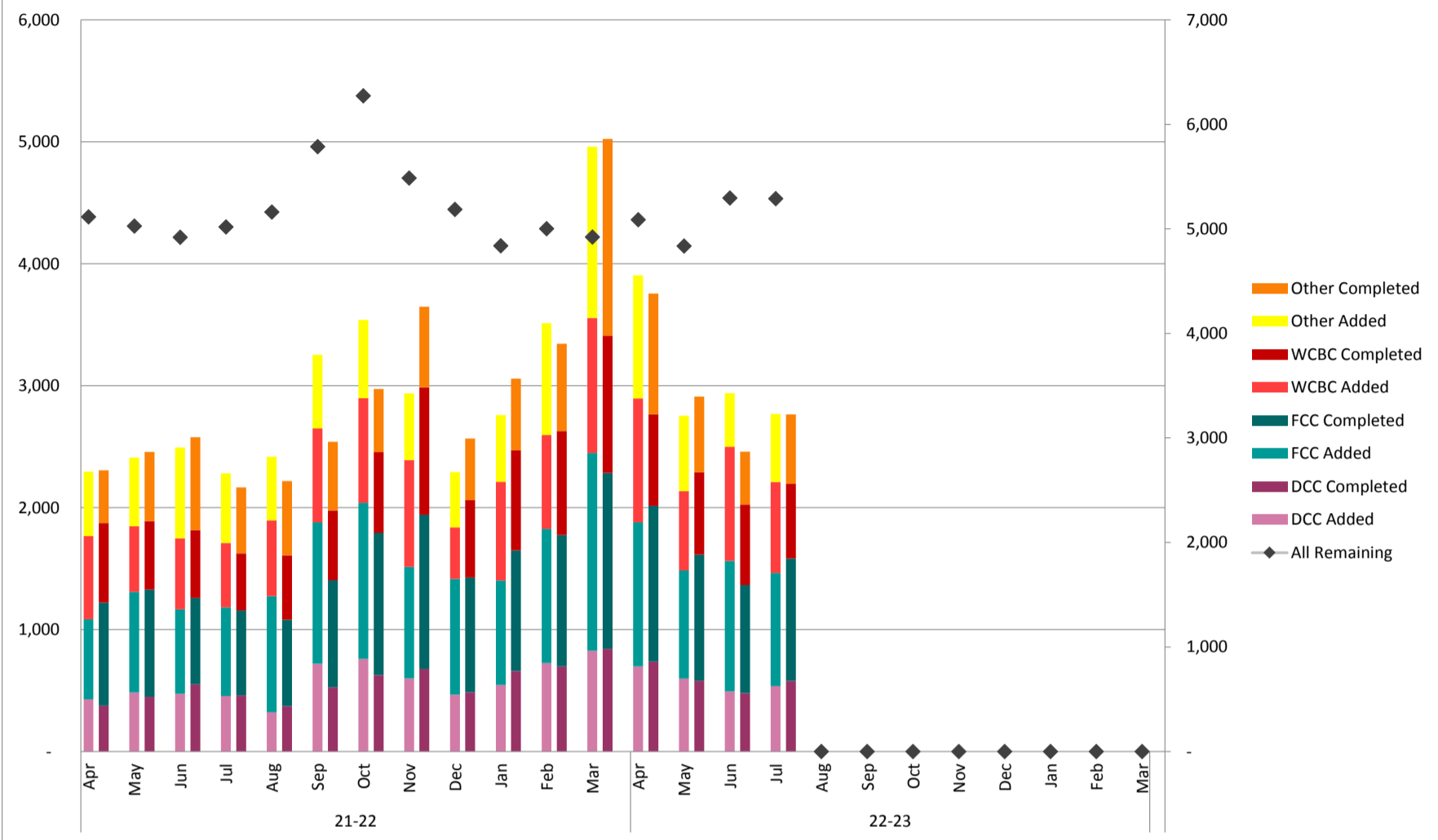
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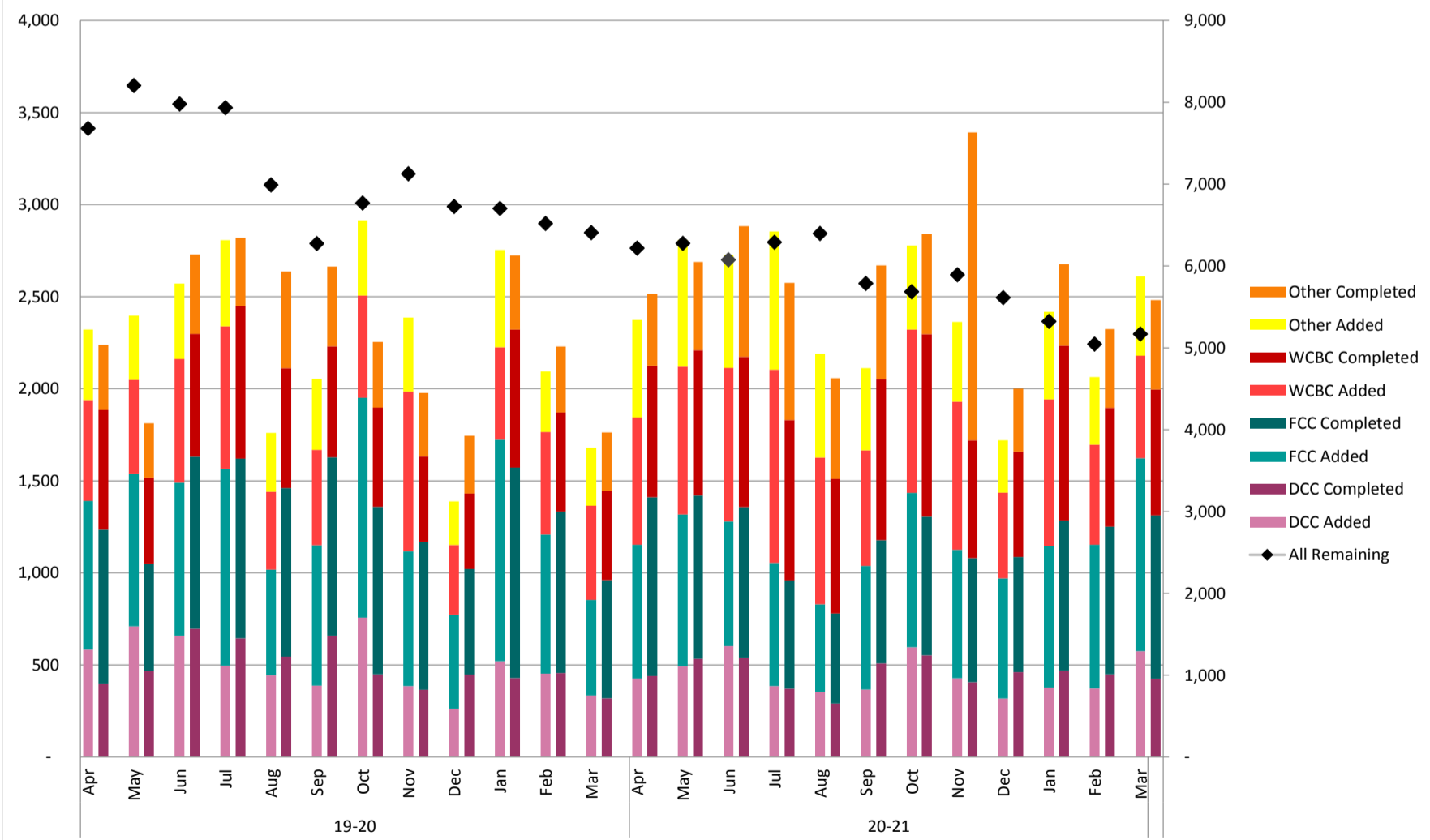
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Case Levels – Current and Previous Year



Case Levels – Historical



Mae'r dudalen hon yn wag yn bwrpasol

Key Performance Indicators

The following pages show the performance against the key performance indicators (KPIs) which have been agreed within Clwyd Pension Fund's Administration Strategy. They cover thirteen areas of work, and for each there is a KPI for each of the following:

- The legal timescale that must be met
- The overall timescale for the process (including any time taken by employers and/or scheme members)
- The timescale relating to the Clwyd Pension Fund administration team only

The KPIs are specific to each process (as set out in the Administration Strategy) and illustrated by the graphs are as follows:

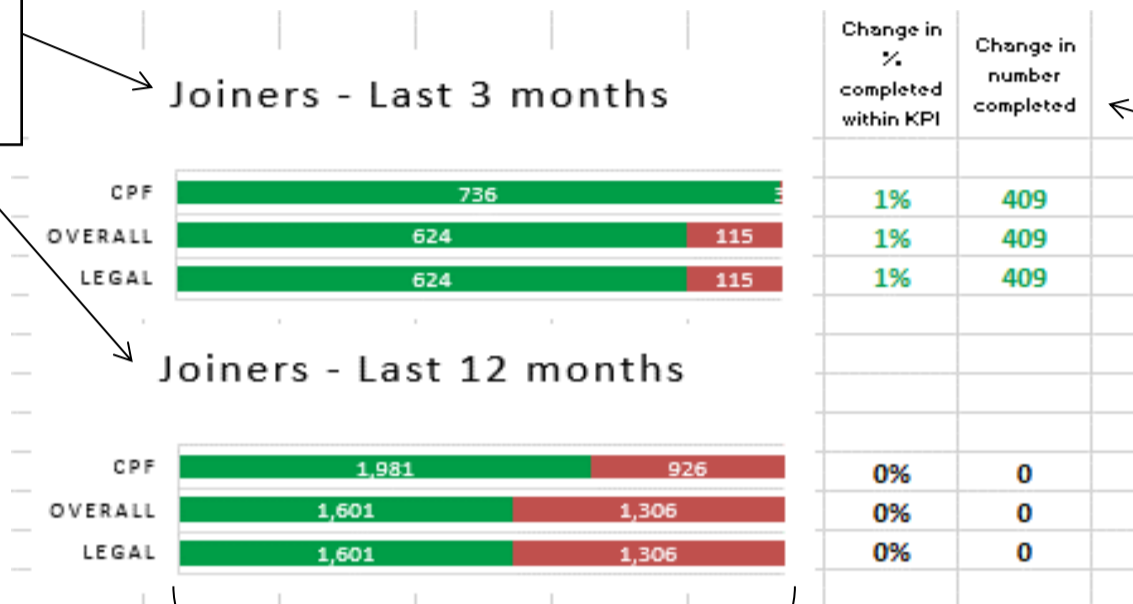
		A	B	C
	Process	Legal Requirement	Overall	CPF Administration element target
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	46 working days from date of joining (i.e. 2 months)	30 working days from receipt of all information
2	To inform members who leave the scheme before retirement age of their leaver rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	46 working days from date of leaving	15 working days from receipt of all information
3	Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	46 working days from date of request	20 working days from receipt of all information
4	Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) 3 or within a reasonable period (cash transfer sum)	46 working days from date of request	20 working days from receipt of all information
5	Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age	23 working days from date of retirement	10 working days from receipt of all information
6	Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	46 working days from date of request	15 working days from receipt of all information
7	Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative)	25 working days from date of death	10 working days from receipt of all information
8	Calculate and Notify member of CETV for Divorce/Dissolution Quote	3 months from the date of request	46 working days from date of request	20 working days from receipt of all information
9	Calculate and Notify members of Actual Divorce Share	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	46 working days from date of request	15 working days from receipt of all information
10	Calculate and pay a Refund of contributions	Not applicable	13 working days from receipt of request	10 working days from receipt of all information
11	Calculate and Pay retirement lump sum	Not applicable	Not applicable	15 working days from receipt of all information
12	Calculate and Notify member of Deferred Benefits	Not applicable	76 working days from date of leaving	30 working days from receipt of all information
13	Initial letter acknowledging death of member	Not applicable	Not applicable	3 working days from receipt of all information

Interpretation of graphs

One graph has been provided for each KPI in the table above.

This is illustrated further below.

Each KPI shows the stats for the previous 3 months and the previous 12 months

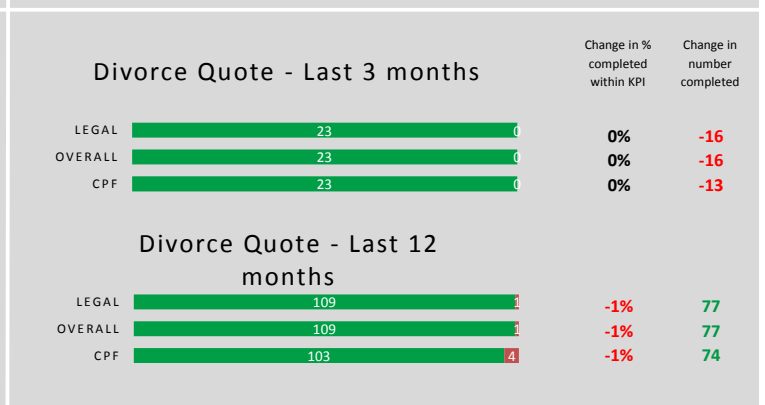
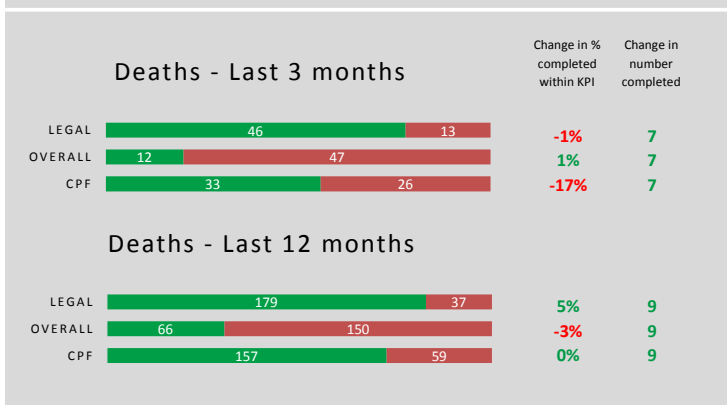
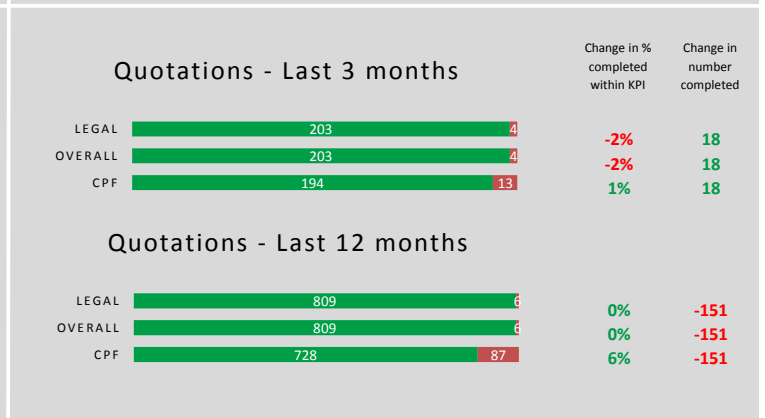
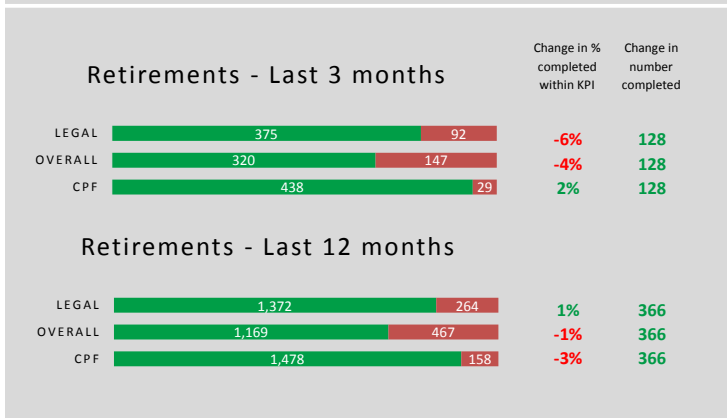
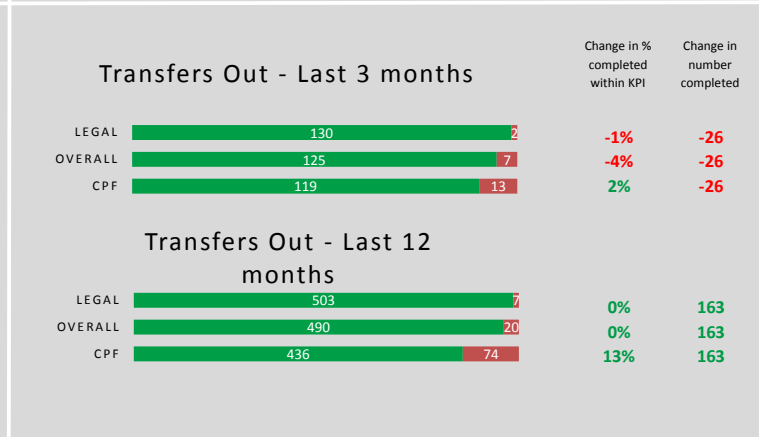
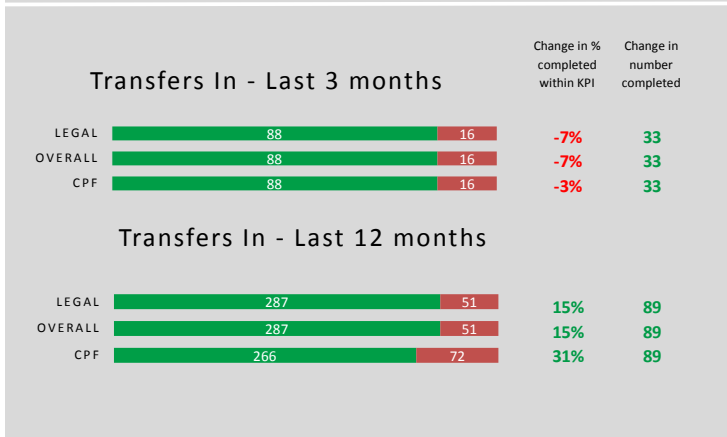
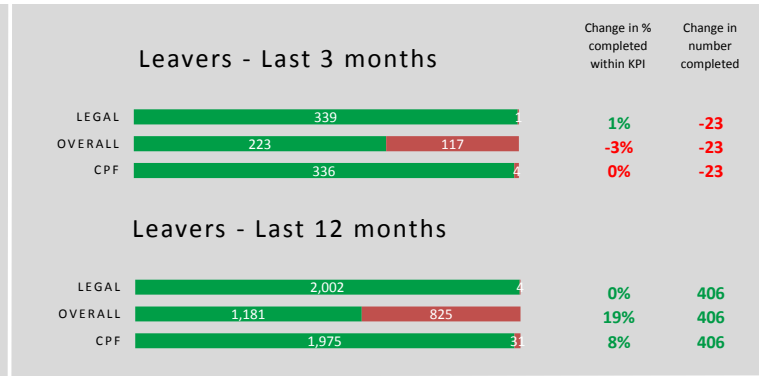
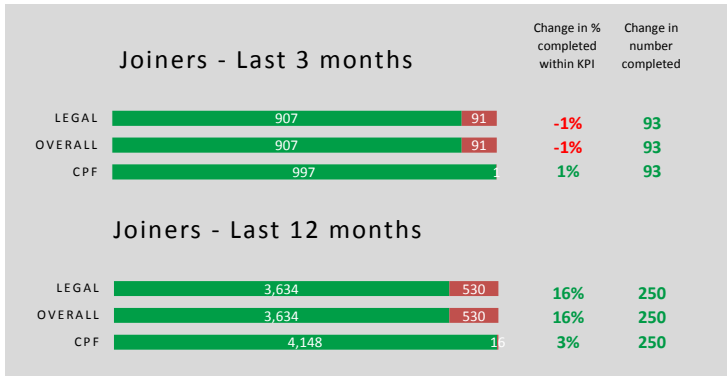


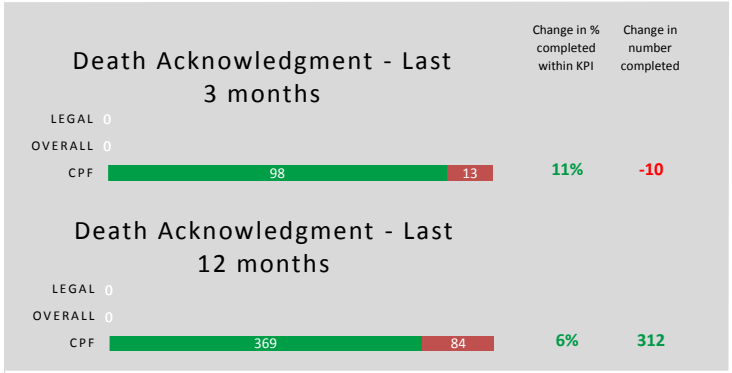
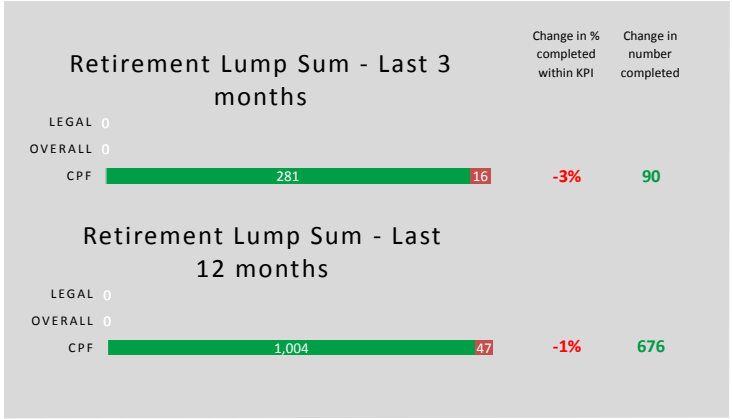
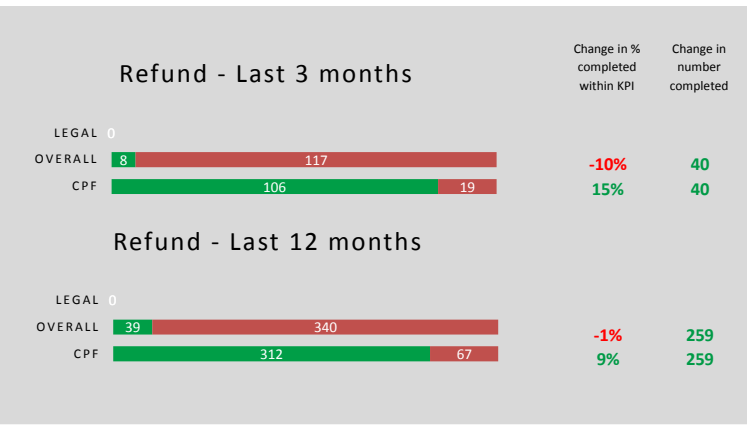
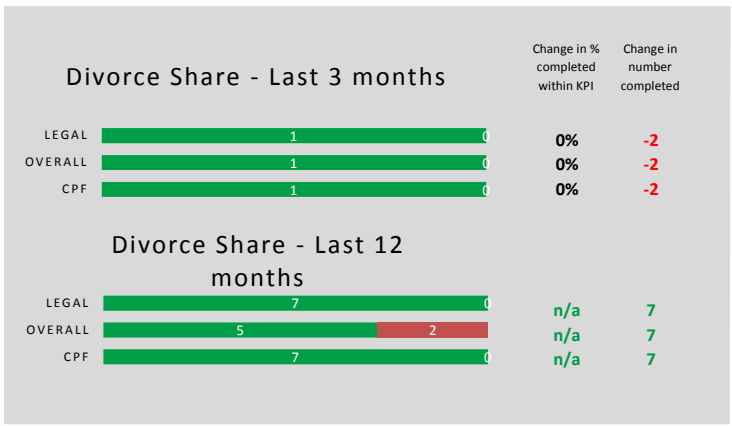
This column tells you the change in % completed within the KPI target compared to either the 3 months before last or the 12 months before last.

This column tells you the change in number of tasks completed over either the 3 months before last or the 12 months before last.

Green bars represent total cases completed that were within the KPI target in the relevant period. Red bars represent the total number of cases completed that were not done within the KPI target in the relevant period.

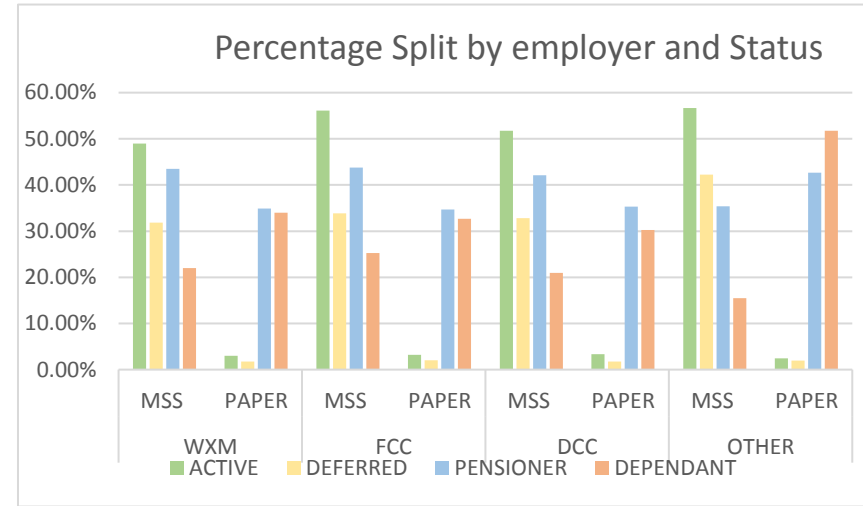
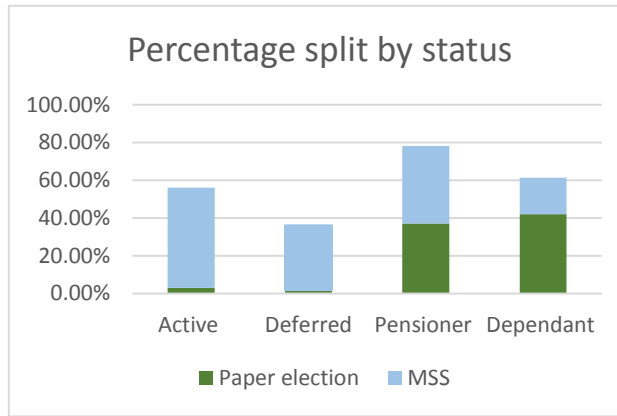
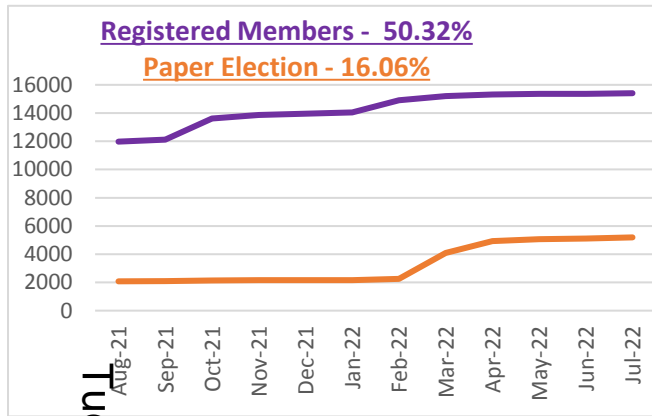
Key Performance Indicators - Executive Summary - to July 2022







MEMBER SELF SERVICE: 01/05/2022 – 31/07/2022



Update from 01/05/2022 – 31/07/2022

As at 31/07/2022 50.32% of our members have registered for MSS. This means that the percentage of registered members has increased by 0.56% since our last update.

As at 31/07/2022 16.06% of our members have opted for paper correspondence. This percentage has increased by 0.88% since our last update.

During the period 01/05/2022 – 31/07/2022, the Clwyd Pension Fund has issued annual deferred benefit statements to our deferred members. These have been issued via both MSS and paper post depending on members' communication preference.

The Clwyd Pension Fund will shortly be issuing annual benefit statements to our active members (those still paying pension contributions into the scheme). There is usually a peak in MSS usage during this time. Statistics on this will be provided in the next update.

(Statistics between 01/05/2022 to 31/07/2022: (92 days))

Contact Us Tasks

- 390 **MSSKEY Key requests**
- 174 SSFCASE (pay deferred)
- 77 MSENQ Enquiry tasks
- 9 MSSEST Estimate tasks
- 35 MSSRET Retirement tasks
- 20 MSSTVT Transfer tasks
- 315 **Contact Us 3.42 p/day)**
- 345 **MSSADD Address update**
- 15 **Bank details updated**

Benefit Projections

12,324 benefit projections calculated

Avg 133.96 per day

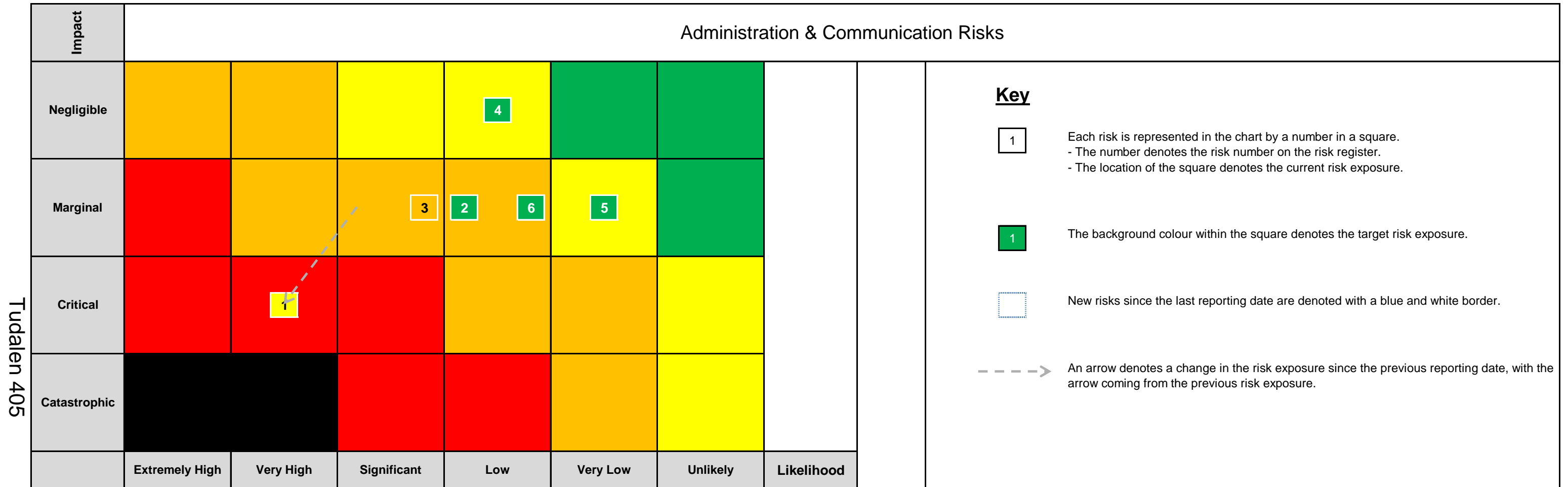
Expression of Wish

450 changes of expression of wish

4.89 per day

Mae'r dudalen hon yn wag yn bwrpasol

Administration and Communication Risks Heat Map and Summary



19 August 2022

Clwyd Pension Fund - Control Risk Register
Administration & Communication Risks

Objectives extracted from Administration Strategy (05/2021) and Communications Strategy (09/2019):

- A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- A5 Maintain accurate records and ensure data is protected and has authorised use only
- C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- C2 Communicate in a clear, concise manner
- C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders but with a default of using electronic communications where efficient and effective to do
- C4 Look for efficiencies and environmentally responsible ways delivering communications through greater use of technology and partnership working
- C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades (including due to Covid-19)	All	Critical	Very High		1 - Training Policy, Plan and monitoring in place 2 - Benefit consultants available to assist if required 3 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 4 - Data protection training, policies and processes in place 5 - System security and independent review/sign off requirements 6 - ELT established 7 - Temporary staff changed to permanent where appropriate, and further resource increase/recruitment to new posts 8 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 9 - Establishment of aggregation team 10 - Ongoing training within the team 11 - Impact of potential Covid absences being discussed at regular management catch ups and plans in place for ensuring priority work continues unaffected 12 - Reviewed wording of job descriptions to ensure fit for purpose	Negligible	Low		☹️ Current impact 2 too high Current likelihood 2 too high	31/10/2021	Mar 2023	1 - Ongoing recruitment of vacant posts (KW) 2 - Action plan being developed for recruitment, retention, succession planning (PL)	Pensions Administration Manager	30/09/2022	17/08/2022
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low		1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Establishment of ELT 5 - Increased data checks/analysis (actuary and TPR) 6 - Implemented further APP data checks to identify issues 7 - Increased engagement with employers as to how they are managing due to Covid, and ongoing CPF requirements, and introduced monthly monitoring of employers 8 - Developed and issuing monthly KPI reporting for employers 9 - I-connect in place for all Fund employers 10 - Monthly meetings with Employers to discuss any ongoing data issues and provide training where required.	Negligible	Very Low		😊 Current impact 1 too high Current likelihood 1 too high	01/07/2016	Jan 2023	1 - Implement new process for employers relating to service standards (KW/AH)	Pensions Administration Manager	16/12/2022	17/08/2022
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes including McCloud, Pensions Dashboards and potential exit cap, pay negotiations)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Significant		1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required 3 - Recruitment to new posts 4 - McCloud planning undertaken, including governance structure with Steering Group and PMG 5 - The Pension Administration Manager sits on PLSA working group for Pensions Dashboards 6 - The Fund has volunteered to test the integration of the Administration system and Pensions Dashboard	Marginal	Low		😊 Current likelihood 1 too high	27/08/2018	Mar 2023	1 - Ongoing consideration of the impact on resource of pay structure reviews, likely national changes and Pensions Dashboards (KW) 2 - Ongoing consideration of potential exit cap on processes etc (KW/KM)	Pensions Administration Manager	16/12/2022	17/08/2022
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	C1/ C2 / C3	Negligible	Low		1 - New Communications Strategy - focussed on digital engagement - approved June 2022 2 - Annual communications survey for employees and employers 3 - Specialist communication officer in team 4 - Website reviewed and relaunched (2017) 5 - Member self service in place 6 - Ongoing identification of data issues and data improvement plan in place 7 - Address tracing exercise undertaken for members who have not set a communication preference 8 - A Member self service activation key has been re-issued to all members who do not have a communication preference set and other initiatives for blackhole members.	Negligible	Very Low		😊 Current likelihood 1 too high	01/07/2016	Mar 2023	1 - Implement new communications strategy in line with 2022/23+ business plan (KM/KW)	Pensions Administration Manager	16/12/2022	17/08/2022
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient (including McCloud and potential exit cap)	A2 / A4 / C4	Marginal	Very Low		1 - I-connect and MSS implemented 2 - Review of ad-hoc processes (e.g. deaths and aggregation) 3 - Participated as a founding authority on national framework for admin system 4 - Implementation of other Altair modules including Altair Insights (relating to TPR scores) 5 - Increased engagement with Heywood about change in their business model 6 - Increased engagement with Heywood re McCloud software enhancements 7 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low		😊 Current impact 1 too high	01/07/2016	Dec 2022	1 - Review Altair contract (KW) 2 - If delays in system upgrades, look for alternative solutions to administer regulatory changes (KW)	Pensions Administration Manager	16/12/2022	17/08/2022
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime and Covid-19	A1 / A4 / C2	Marginal	Low		1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented 3 - Implemented lump sum payments via pensioner payroll facility 4 - Regular communications carried out during pandemic with Heywood and FCC regarding areas of risk 5 - Data/asset mapping complete and cyber strategy in place	Negligible	Unlikely		😊 Current impact 1 too high Current likelihood 2 too high	08/11/2019	Dec 2022	1 - Develop updated business continuity plan for CPF (KW) 2 - Implement remaining elements of cyber strategy (KW) 3 - Develop post Covid-19 approach to working arrangements (KW/PL)	Pensions Administration Manager	16/12/2022	17/08/2022

Eitem ar gyfer y Rhaglen 8



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Investment and Funding Update
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

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

There are separate agenda items on asset pooling in Wales, investment performance and the funding and flight path risk management framework. This update includes matters that are mainly for noting, albeit comments are clearly welcome.

This update also includes the first reports provided by Wales Pension Partnership (WPP) on stock lending, voting and engagement, and these will be provided on an ongoing basis as part of this update.

This report provides updates on the following items:

- Triennial Actuarial Valuation Process (1.02)
- The Business Plan 2022/23 – the majority of projects are currently on track. F5 which relates to expected LGPS consultation(s) on investment matters is delayed awaiting the consultation exercise which was originally expected in the summer.
- Risk register - there have been a number of changes to the risk register this quarter, primarily as a result of the persistently high inflationary environment which poses increasing financial risks to the Fund.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

RECOMMENDATIONS

1	That the Committee consider and note the update, and provide any comments.
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REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2022/23. Key tasks are currently on target and key points to note are as follows:</p> <ul style="list-style-type: none">• F1 (Funding Strategy Statement Review and Triennial Actuarial Valuation) – the Actuarial Valuation process for 31st March 2022 is continuing. 1.02 provides more details• F2 (Review of Investment Strategy) – This has now commenced (in tandem with the Actuarial Valuation results). A training session for members has been scheduled for 5th October 2022.• F4 (UK Stewardship Code) – This is covered in agenda item 5• F5 (LGPS Investment Related Developments) – This is delayed as the consultation(s) that were due prior to the summer have not as yet been issued. The business plan has been updated to extend this item into quarter four given the delay.
1.02	<p>Current Development and News</p> <p><i>2022 Actuarial Valuation</i></p> <p>The 2022 actuarial valuation is now underway, with membership data provided to the Actuary at the start of July. The Actuary raised initial data queries with the Fund and the Fund have responded to them.</p> <p>Overall the data quality was excellent and showed the continuing progress made by the administration team. As part of the valuation more detail will be fed back to improve the data quality further when capacity allows in the team.</p>
1.03	<p>The next stages of the actuarial valuation process will see:</p> <ul style="list-style-type: none">• The Actuary progressing the next phase of the calculations with a view to discussing the initial results with the Fund during mid-September.• The demographic report will be provided, with the outcomes incorporated into the calculations.• A steering group meeting with the county and borough Councils will take place in September to discuss the initial outcomes.• The initial results and draft Funding Strategy Statement (FSS) will be reported to Committee at the November meeting for approval for formal consultation with employers. A training session for Committee and Board on the Valuation and FSS took place on the 24th August in preparation for the next stages.• As part of the consultation process, the employer results and contribution outcomes will be communicated. The consultation process will commence after the November committee meeting and will be discussed further at the AJCM in December. The outcome of the consultation process will be reported to Committee at the

	<p>February 2023 meeting for approval of final FSS.</p> <p>The final valuation results, Actuary's formal report and employer contributions' schedule will be agreed no later than 31 March 2023 (the legal deadline) with new contributions being implemented on 1 April 2023.</p>
1.04	<p><i>Wales Pension Partnership (WPP) Responsible Investing Update</i></p> <p>The Fund's key priorities with in its Responsible Investment (RI) policy included enhanced reporting on RI matters. The Committee have asked to receive information on voting, engagement and stock lending.</p>
1.05	<p><u>Voting and Engagement</u></p> <p>As an asset owner, there are opportunities to engage with companies, and also vote at Annual General Meetings, with a view to helping improve company policies in relation to environmental, social and governance matters. As WPP own stocks on behalf of the Constituent Authorities (including Clwyd Pension Fund), they carry out voting and engagement on their behalf.</p> <p>WPP have appointed Robeco as the Voting and Engagement provider. The Deputy Head of the Clwyd Pension Fund, as part of the WPP RI Sub Group, has been working with Robeco to create suitable reports for Constituent Authorities showing the voting and engagement that has taken place. Appendices 2 to 4 of this Update includes the first of these reports but work is ongoing to further enhance them.</p>
1.06	<p>Appendix 2 highlights the engagement work that has been carried out on behalf of WPP from April to June 2022. This quarter provides information and case studies on the following areas of engagement:</p> <ul style="list-style-type: none"> • Net Zero Emissions • Good Governance • Single Use Plastics • Digital Innovation in Healthcare • SDG Engagement • Proxy Voting <p>It is important to note that the lists of stocks in the engagement report are for the WPP as a whole and may or may not be in sub funds the Clwyd Pension Fund is invested in. This is one of the areas of enhancement that is ongoing.</p> <p>Appendices 3 and 4 provides summary details for the proxy voting reports for the Global Opportunities and Emerging Market Equity Funds in which the Fund is invested. The reports cover the number of meetings and votes cast for the period to June 2022 and some of the voting highlights.</p>

1.07	<p><u>Securities Lending</u> Securities lending involves the owner of shares or bonds transferring them temporarily to a borrower. In return, the borrower transfers other shares, bonds or cash to the lender as collateral and pays a borrowing fee. Stock lending can, therefore, be used to incrementally increase fund returns for investors.</p> <p>WPP have appointed Northern Trust to lend securities, which are held within the WPP sub-funds, on their behalf.</p>
1.08	<p>Agenda item 9 is the exempt Global Securities Lending Relationship and Performance Review for the year to March 2022. The report provides details of all the sub funds operated by WPP.</p> <p>Page 6 provides a summary of the lending programme between Northern Trust and WPP which commenced in March 2020. Pages 8 to 10 cover key market trends and observations. Performance of the mandate is shown on page 12 with revenue analysis following.</p> <p>Total revenue received for WPP for 2021/22 was £1.1m. Clwyd Pension Fund is only invested in the following 3 sub funds participating in the programme and received £48k split below (which is in addition to any investment return on these securities):</p> <ul style="list-style-type: none"> • Global Opportunities (GO) £24k (4% of total) • Emerging Markets (EM since October 2021) £5k (47% of total) • Multi Asset Credit (MAC) £19k (34% of total) <p>As at 31 March 2022, the values of securities on loan relating to the Clwyd pension Fund was £16.7m; the total assets with WPP were £596.6m. The WPP total securities on loan was £430.7m.</p> <p>Page 15 provides a breakdown of revenue by account of which the following are relevant to the Clwyd Fund:</p> <ul style="list-style-type: none"> • WCOF08 LF WALES PPGOEF • WMAC03 LF WALES PP MAC – BARINGS • WMAC05 LF WALES PP MAC – GLG • WMAC02 LF WALES PP MAC – BLUEBAY • WMAC04 LF WALES PP MAC – VOYA • WPPE03 LF WALES PP EM RUSSELL <p>Page 19 highlights the top 10 revenue generating securities. These are currently not split between individual sub funds but work is ongoing with the RI Sub Group and Hymans to investigate these in more detail. During 2021/22, the Clwyd Fund held 9 of the top 10 stocks in 1 or more of its sub funds.</p>
1.09	<p><u>Roles and responsibilities</u> The role of monitoring the engagement, voting and stock lending carried out by Robeco and Northern Trust on behalf of WPP lies with the WPP Joint Governance Committee (JGC), rather than the Clwyd Pension Fund</p>

	Committee. However WPP's role is to deliver the RI policies of all the Constituent Authorities.						
1.10	<p>2016 Cost Management Process</p> <p>GAD has published its report on the 2016 scheme valuation which calculates the cost cap cost of the scheme using HM Treasury's valuation directions, as at 31st March 2016. The report concludes that the costs of the scheme were 1.2% below the target cost, meaning no action is required to be taken as there is no breach of the 2% corridor.</p>						
1.11	<p>Policy and Strategy Implementation and Monitoring</p> <p>The Advisory Panel receive a detailed investment report from the Fund's Investment Consultants, Mercer, which shows compliance with the existing approved Investment Strategy, as well as reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 11.</p> <p>The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups:</p> <ul style="list-style-type: none"> • Tactical Asset Allocation Group (TAAG) • Cash and Risk Management Group (CRMG) • Private Equity and Real Assets Group (PERAG) <p>Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 5.</p>						
1.12	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 5 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> • Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • The following commitments to private market investments have been made in line with the Fund's Investment Strategy and recommendations from Mercer, the Fund Consultant; more details are provided in 1.14. <table border="1" data-bbox="304 1823 1369 1975"> <thead> <tr> <th>Asset Class</th> <th>Fund</th> <th>Commitment</th> </tr> </thead> <tbody> <tr> <td>Infrastructure</td> <td>Copenhagen Infrastructure Partners Energy Transition Fund I</td> <td>€20m (£17m)</td> </tr> </tbody> </table>	Asset Class	Fund	Commitment	Infrastructure	Copenhagen Infrastructure Partners Energy Transition Fund I	€20m (£17m)
Asset Class	Fund	Commitment					
Infrastructure	Copenhagen Infrastructure Partners Energy Transition Fund I	€20m (£17m)					

1.13	<p>Private Market Allocations</p> <p>As reported to previous Committees, due to the WPP currently running a tender for Allocators to implement private markets, Mercer as the Fund's investment consultant have been working with officers to determine the Fund's requirements for infrastructure and private debt in addition to private equity and impact opportunities until they are transitioned to WPP. This work includes identifying potential managers on a sustainable basis.</p>
1.14	<p>As part of this process, Mercer share relevant reports on their research views and full due diligence on any recommended managers for the Fund officers to consider and discuss. From there, meetings are conducted with the recommended managers and Fund officers to discuss the mandates in more detail and facilitate any further information the Fund may require. The Fund and Mercer continue to be busy considering new allocations for 2022/23. A brief summary of the first allocation for this year is shown below, which is a manager that has been highly rated by Mercer including ESG credentials.</p> <p>Copenhagen Infrastructure Partners Energy Transition Fund I AN Infrastructure manager raising €3bn, focussed on second generation renewable energy and hard to abate sectors such as industrial processes, shipping, fertilisers and aviation fuel.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>Due to three post vacancies in the Fund's Finance Team (out of a total of seven), a proportion of the work of the team has been outsourced to the Fund's consultants. This is a temporary measure until the posts are filled. It is hoped to start the recruitment for at least two of these posts (Principal Accountant and Governance & Business Support Officer) very soon as this was put on hold whilst the annual report and accounts was being prepared. It is critical these posts are filled in the near future due to the large proportion of vacancies in this team.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None directly as a result of this report, albeit consultation on updates to the Funding Strategy, and perhaps the Investment Strategy, will be carried out during 2022/23.</p>

4.00	RISK MANAGEMENT
4.01	<p>Appendix 6 provides the dashboard and risk register highlighting the current risks relating to investments and funding matters.</p>
4.02	<p>There have been no additional risks added to the register since the last Committee but there are a number of changes to the current risks:</p>

	<ul style="list-style-type: none"> • F4 Value of liabilities increasing due to market yields/inflation increasing out of line from actuarial assumptions - The likelihood for F4 has increased by one from Low to Significant, as the level of inflation means that the value of the liabilities are likely to increase at a higher rate than previously assumed. • There is a knock on effect to F3 and F2, and both of these have also had the likelihood increased from Low to Significant: <ul style="list-style-type: none"> ○ F3 is that investment targets are not achieved, therefore materially reducing solvency / increasing contributions. The Fund's investment return targets built into the funding strategy are related to inflation, with inflation running at c.9.4% (at the time of writing) there is a higher likelihood that over the short term investments will fail to keep pace ○ F2 relates to the funding level reducing, increasing any deficit or reducing any surplus. This has also seen its likelihood increase due to a combination of F3 & F4 being increased. • F8 relating to the risk of employers ceasing to exist, resulting in loss of employer income or other employers becoming liable for their deficits - the likelihood has been reduced from very low to unlikely as the Fund's policies and experience over COVID 19, where there were no issues with employers, has meant that this risk has been reduced.
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5.00	APPENDICES
5.01	Appendix 1 – 2022/23 Business plan Appendix 2 – WPP Engagement Report Q2 2022 Appendix 3 – WPP Global Opportunities Summary Voting Q2 2022 Appendix 4 – WPP Emerging Market Equity Summary Voting Q2 2022 Appendix 5 – Delegated Responsibilities Appendix 6 – Risk dashboard and register – Investments and Funding Agenda item 9 – Exempt appendix – WPP Global Securities Lending Review

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Debbie Fielder, Deputy Head, Clwyd Pension Fund Telephone: 01352 702259 E-mail: Debbie.a.fielder@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) The Fund - Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the

region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **The Committee - Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.
- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **WPP – Wales Pensions Partnership** - The WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. WPP has appointed an Operator to manage assets collectively for the eight Wales LGPS funds. A proportion of the Clwyd Pension Fund assets are invested via WPP.
- (i) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (j) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (k) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (l) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and

Investment Advisor.

(m) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

(n) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

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

A full glossary of Investments terms can be accessed via the following link.

<https://www.schroders.com/en/uk/adviser/tools/glossary/>

Mae'r dudalen hon yn wag yn bwrpasol

Business Plan 2022/23 to 2024/25 – Q1 & 2 Update

Funding and Investments

Key Tasks

Key:

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

Funding and Investments (including accounting and audit) Tasks

Ref	Key Action –Task	2022/23 Period				Later Years	
		Q1	Q2	Q3	Q4	2023/ 24	2024/ 25
F1	Funding Strategy Statement Review and Triennial Actuarial Valuation	x	x	x	x		
F2	Review of Investment Strategy		x	x	x	x	
F3	Climate Change and TCFD		x	x		x	
F4	UK Stewardship Code	x	x	x			
F5	LGPS Investment Related Developments (later timescales unknown)		x	x	xM		

Funding and Investments (including accounting and audit) Task Descriptions

F1 – Funding Strategy Statement Review and Triennial Actuarial Valuation

What is it?

The formal triennial actuarial valuation of the Fund is due to be undertaken as at 31 March 2022. 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 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. Consideration will also be given as to the sustainability of any contribution reductions. The exercise will include cash flow projections to input into the Cash and Risk Management policy framework.

Timescales and Stages

Effective date	31 March 2022
Demographic Analysis including covid-19 impact	2022/23 Q1
Update risk management and monitoring framework	2022/23 Q1 & Q2
Initial whole Fund results (expected)	2022/23 Q2
Integration with climate change considerations	2022/23 Q2
Individual Employer results including review of McCloud allowances (expected)	2022/23 Q2 & Q3
Funding Strategy Statement review and consultation with employers	2022/23 Q2 & Q3
Funding Strategy Statement approval	2022/23 Q4
Deadline for agreement of all contributions and sign-off valuation report	31 March 2023

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 involve considerable resource from the Administration and Finance teams over 2022/23. The Fund Actuary's costs in relation to this exercise are included in the 2022/23 budget.

F2 – 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.

The review will also have regard to DLUHC’s recently published Levelling Up agenda and the requirement for LGPS Funds to draft a mandatory plan setting out an ambition as to how they will allocate at least 5% to “new” local investments (with local being defined as the UK). Note however that this is not a mandatory requirement in scale nor does it represent a ceiling. In addition, the review of investment strategy will incorporate strategic climate change scenario analysis modelling.

This is expected to take place concurrently with the review of the Funding Strategy Statement in 2022/23.

Timescales and Stages

Review of Investment Strategy	2022/23 Q2 & Q3
Approve Investment Strategy (with consultation if required)	2022/23 Q4
Implementation of any changes	2023/24

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 2022/23 budget.

F3 – Climate Change and TCFD

What is it?

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. The Fund will look to report on a TCFD basis to ensure transparency of the work the Fund is undertaking with respect to climate change. This will include reporting on the various commitments the Fund has made relating to meeting its net zero target.

As noted in F5, DLUHC will be launching a wide-ranging consultation in the summer of 2022, and this will include how TCFD should be adopted within the LGPS. The Fund will have regard to this whilst carrying out the development of their reporting.

Design TCFD compliant reporting template	2022/23 Q2 to Q3
Review TCFD reporting template (if required) in line with LGPS requirement	2023/24

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 2022/23 budget.

F4 – 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 will look to become a signatory to the Code by submitting its report by October 2022. The WPP have already submitted its application to become a signatory of the Stewardship Code, and the Fund will need to use this submission to inform their application.

Timescales and Stages

Develop Stewardship Code template	2022/23 Q1 to Q2
Stewardship Code submission (pre October 2022 deadline)	2022/23 Q3

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 2022/23 budget.

F5 – LGPS Investment Related Developments

What is it?

The Government (DLUHC) will continue to produce guidance for the LGPS community. It is expected that, in summer 2022, the Fund will be asked to consider a significant single consultation exercise. The Fund intends to respond to the consultation in respect of all areas covered.

Further detail will be provided in due course but it is anticipated that it will encompass the following areas:

- Levelling up – as described in section F2 (will eventually result in the publication of a mandatory plan by the Fund)
- TCFD – as described in section F3
- 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 in due course (and it will now be contained within this wider consultation)
- Competition and Markets Authority Order 2019 – covering the requirement to set strategic objectives for investment consultants.

Timescales and Stages

Respond to consultation (in full)	2022/23 Q2 to Q3
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 2022/23 budget albeit this may need revisited when the requirements are better understood.



ACTIVE OWNERSHIP REPORT

ROBECO | 01.04.2022 - 30.06.2022



Q2

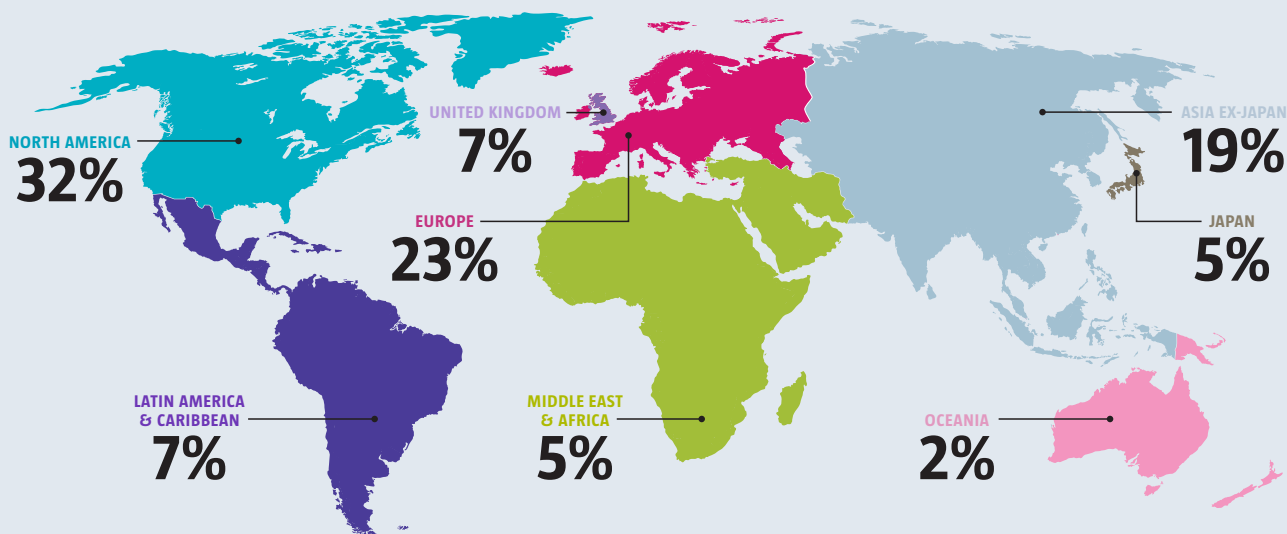
2022

Sustainable Investing Expertise by
ROBECOSAM

Tudalen 421

Q2|22 FIGURES ENGAGEMENT

Engagement activities by region



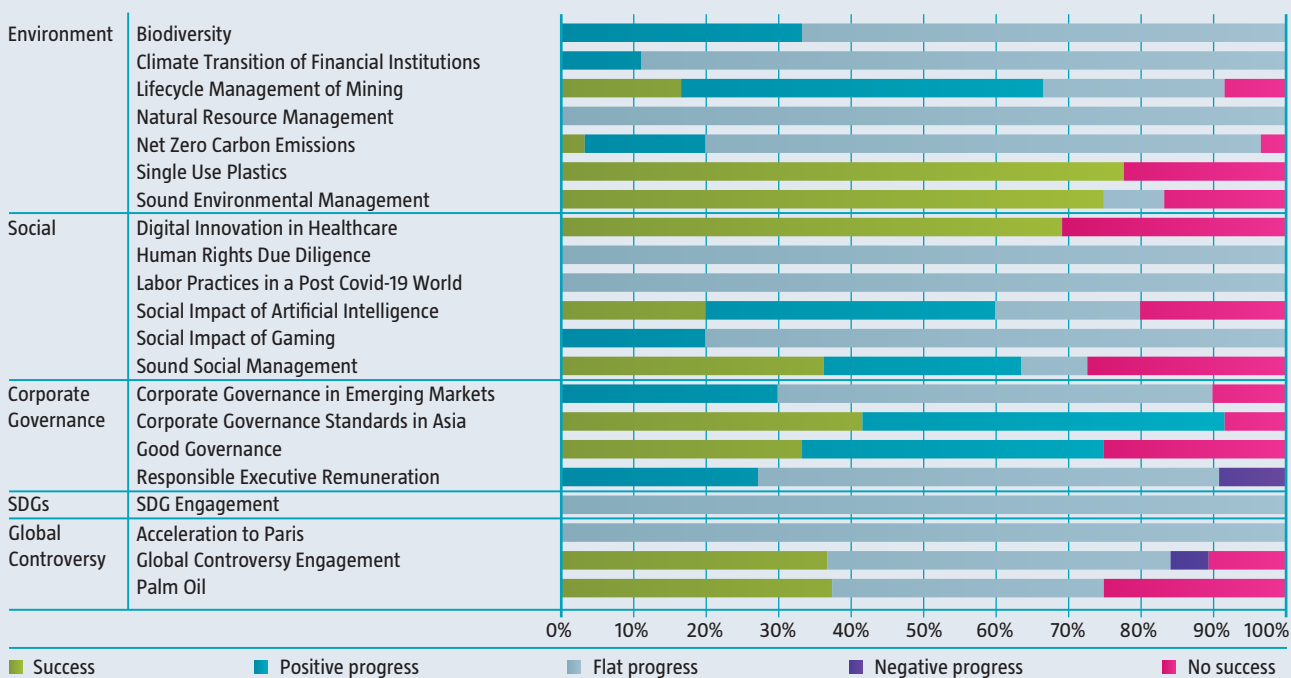
Number of engagement cases by topic

	Q1	Q2	Q3	Q4	YTD
Environment	47	55			71
Social	20	26			36
Corporate Governance	19	20			29
SDGs	15	30			38
Global Controversy	25	19			27
Total	126	150			201

Number of engagement activities per contact type

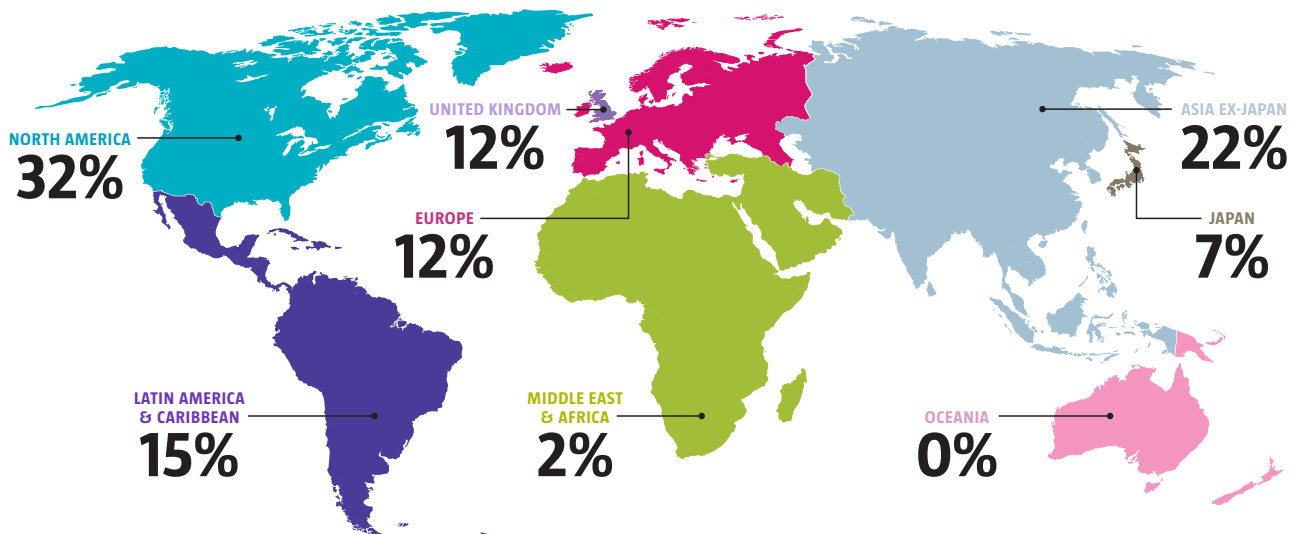
	Q1	Q2	Q3	Q4	YTD
Meeting	1	1			2
Conference call	78	90			168
Written correspondence	88	125			213
Shareholder resolution	0	1			1
Analysis	16	27			43
Other	1	9			10
Total	184	253			437

Progress per theme



Q2|22 FIGURES VOTING

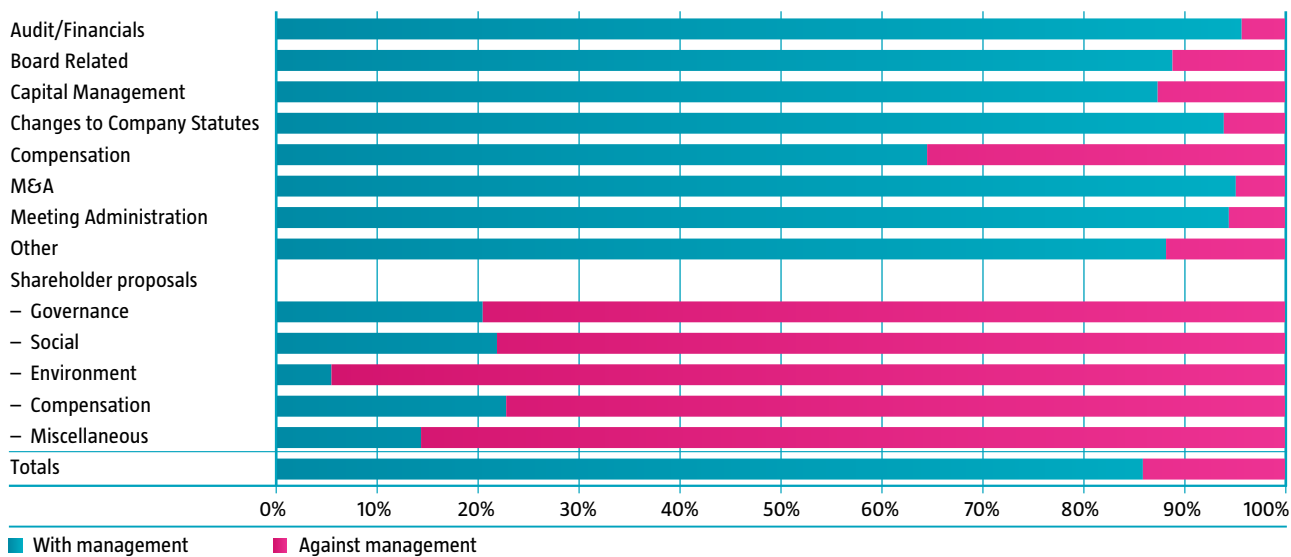
Shareholder meetings voted by region



Voting overview

	Q1	Q2	Q3	Q4	YTD
Total number of meetings voted	101	725			826
Total number of agenda items voted	1.187	10.531			11.718
% Meetings with at least one vote against management	62%	76%			74%

Votes cast per proposal category



CONTENTS



Net Zero Emissions

The new Net Zero Emissions theme is an extension of our existing corporate decarbonization theme, expanding our climate engagement by additional 15 companies. Nick Spooner guides us through the key changes to the theme, from expanded coverage to an even stronger focus on collaborative engagement.

6



Good Governance

Nearing the end of the 2022 AGM season, we take a moment to reflect on the key trends that have marked this year's voting season, from hybrid AGMs to growing discussions around climate and remuneration. By highlighting key AGMs, Michiel van Esch demonstrates the importance of engaging companies around good governance.

10



Single Use Plastics

Single use plastics have become an inherent part of our society, however the pollution caused by plastic is catching up with us, calling for innovative solutions to make plastic more sustainable. Sylvia van Waveren takes us along on her three-year engagement with companies from across the packaging value chain, reflecting on the challenging road to circularity.

13



Digital Innovation in Healthcare

As Covid-19 is slowly moving to the background, we close our Digital Innovation in Healthcare engagement. Engagement specialist Laura Bosch reflects on the outcomes of the engagement program, as well as some of the key trends, opportunities and challenges that the digital transformation in the health care sector has brought about.

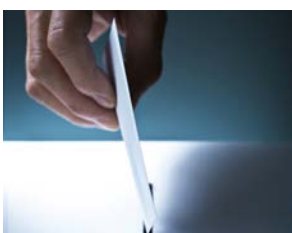
16



SDG Engagement

The United Nations' 17 Sustainable Development Goals (SDGs) provide a blueprint for a more sustainable future. Engagement specialist Alexandra Mortimer shares first insights into how our new SDG Engagement program, launched in 2021, uses investor leverage to accelerate corporate contributions to the SDGs, working with companies to integrate sustainable development within their strategy and business models.

19



Proxy Voting

Having yet again filed thousands of votes through this year's proxy season, our voting specialists Diana Trif and Antonis Mantsokis share the key highlights of the 2022 proxy season, which was marked by a growing focus on shareholder rights, as well as niche topics, such as corporates' approach to US abortion laws and an increasing number of disguised anti-ESG resolutions.

22

Tudalen 424

INTRODUCTION



The first half of 2022 has seen a lot of economic turmoil, from the Russia-Ukraine conflict disrupting energy and food markets, to growing uncertainty as inflation and interest rates rise across the world. These global events underline the ever-growing relevance of our corporate engagements: from our accelerated engagements around net zero carbon emissions that are now coinciding with European oil shortages, to our active participation in this year's AGM season, where we have been emphasizing the increasing importance of responsible corporate governance.

And while economic upheaval has been dominating the agenda, climate change continues to take center stage, not only through our engagements, but also during the 2022 AGM season. On the engagement side we have expanded our Net Zero Emissions theme to include 15 more companies to encourage them in their journey to become carbon neutral.

Meanwhile, we have seen growing support for environmental proposals at many AGMs, from investors asking for the reduction of single-use plastics, to requesting more disclosures on companies' climate risks. In our article on Good Governance, we explain how investors can not only put forward a clear message through their votes at AGMs, but can also leverage these shareholder interactions to establish a strong dialogue on corporate social responsibility.

As the 2022 voting season comes to a close, so does our engagement theme on Single-Use Plastics, in which we engaged with 10 companies across the plastic packaging

value chain. Throughout the three year engagement, we saw great progress in promoting plastic recycling; we noticed some exciting innovations, and we were pleased to see growing industry collaboration to reduce plastic waste. Despite the impressive progress for some companies, none of the companies under engagement were able to set up a fully circular business model, leaving room for further improvement there.

As countries have loosened their Covid-19 restrictions, our engagement with the health care sector has come to an end. Through our Digital Innovation in Health Care program, launched in 2019, we have highlighted how the pressures from the pandemic on the health care sector have exposed key innovation and security gaps. Over three years, we joined health care companies on their digital journeys, from setting up concrete digital innovation strategies to growing collaborative initiatives between health care providers, fostering knowledge sharing and wider integration of care solutions. While we closed two-thirds of the engagements successfully, not all companies were able to take sufficient steps in addressing the digitalization risks, whether linked to data privacy, cybersecurity or broader industry evolution.

Lastly, we are proud to introduce our SDG engagement program in this quarterly update, marking a new way of engaging with companies. The theme focuses on the contributions that companies can make to one or more of the 17 Sustainable Development Goals, and calls for the integration of sustainable development principles within these companies' business models. Whether by encouraging animal pharmaceutical companies to expand into emerging markets, contributing to 'Zero Hunger' or underlining editing software companies' critical role in ensuring 'Peace, Justice and Strong Institutions' through their fight against digital content manipulation and the spread of fake news, we hope to exemplify the power of investor action.

The width of our engagement themes and the depth of our dialogues reflect the importance we attribute to sustainability as we move forward into the second half of 2022.

Carola van Lamoen
Head of Sustainable Investing

It is not only about achieving the end goal of net-zero, but how we get there

NET ZERO EMISSIONS

NICK SPOONER – *Engagement specialist*

The new Net Zero Emissions theme, launched in Q1 2022, is an extension of our existing corporate decarbonization theme, expanding our climate engagement by additional 15 companies. In this Q&A, Nick Spooner reflects on the continued urgency for climate action, explains the key changes to the theme and reiterates the importance of collaborative action as we step up our engagement under the Climate Action 100+ investor initiative.

What are the aims of the Net Zero theme?

As its name suggests, this engagement theme will work with companies towards achieving net-zero emissions globally by 2050. This is necessary to reduce greenhouse gas emissions and limit further temperature increases. Research by the Intergovernmental Panel on Climate Change (IPCC) has warned against the devastating impact of not meeting the Paris Agreement goals to combat global warming, with significantly higher levels of physical and economic damage occurring at 2°C of warming compared to pre-industrial levels, versus the lower goal of 1.5°C. Therefore, our collective ambition is to limit temperature increases to 1.5°C, or as close to this as possible.

The framing of net-zero is beneficial in setting out this longer-term goal. However, this framing also creates an overly simplistic conception of what is required, and the differentiation between pathways at a sectoral and regional level. Furthermore, the latest research by the IPCC issues a stark warning about the world needing much more action now to reduce the parts per million of carbon in the atmosphere by 2050. Since it is the cumulative emissions that ultimately matter, it is not only about achieving the end goal of net-zero, but how we get there. Specifically, this relates to how quickly we can bend the curve of emissions over the short and medium term. The current rate of annual emissions means the world will exhaust the carbon budget that would limit warming to 1.5°C within the next decade, and so early action is disproportionately beneficial in buying time to fully transition.

Our engagement under this theme sets the expectation for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade.

What is a credible transition plan and what are the objectives that we look for in our engagement?

A credible climate strategy is difficult to define as each company will have its own challenges and approaches to decarbonization. Nevertheless, we can leverage external benchmarks, such as the Climate Action 100+ Net Zero Benchmark, in defining our objectives. We consider this approach to be well-rounded and thoughtful in terms of driving credible transition strategies. While the focus of many of our engagements is on emissions reduction targets over the short, medium and long term, it is necessary to ensure that companies are clear about their plans to achieve this. They need to disclose their climate governance structures, climate-related risks and opportunities, and have plans in place for deploying the capital necessary to decarbonize.

We are closely involved in the evolution of the Climate Action 100+ process and will continue to contribute to the development of metrics and indicators within the benchmark. Recent developments have brought in two new sub-themes around climate accounting and the 'just transition' in which social factors are also incorporated. We are also increasingly focused on the role of carbon offsets, seeking to ensure that companies follow the mitigation hierarchy and are carrying out proper due diligence around offset activities.

The proliferation of net-zero targets has accelerated the debate around carbon offsets. This is due to the fact that it challenges companies to think about what a net-zero business looks like for them as an organization. To reach this final point there is going to be a high degree of variability in abatement costs, both between companies and within companies. It may be the case that there are residual emissions for some companies, particularly in high-emitting, hard-to-abate sectors, meaning that some degree of negative emissions technology is required. When dealing with nature-based carbon offset solutions, we need to be cautious about the level of commitment that any one company makes, and the potential negative

externalities associated with these investments, such as impacts on indigenous rights or biodiversity. If there is any one takeaway from the Covid-19 pandemic, it is how inter-related many of these issues are.

How does this engagement program differ from other engagement programs?

The new Net Zero theme, launched in Q1 2022, is an extension of our corporate decarbonization theme which opened in Q4 2020. Here, we have expanded the theme by engaging with an additional 15 companies. What is different about the approach we have taken in this net-zero expansion is the company selection process. As with the Acceleration to Paris engagement theme, we use our 'traffic light' assessment research to categorize companies based on their lack of alignment to the Paris Agreement. The Acceleration to Paris engagement program chose the 13 worst-performing companies to engage with; the Net Zero engagement program expands this by engaging with the next 12 worst-performing companies based on our assessment.

Three mining companies were not selected on this traffic light basis, but because of opportunities that arose within the wider Climate Action 100+ initiative. This brings the total of engaged companies to 15. Despite this divergence from the approach taken with the other companies, we consider these opportunities for collaborative engagement to be extremely valuable in terms of enhancing the impact of our engagement. The importance of the mining sector, both with regard to reducing emissions related to the combustion of fossil fuels and with the expansion of low-carbon mineral extraction, was a major consideration in our selection of these companies.

The addition of these three mining companies is reflective of the broader push we have made to expand our influence under the Climate Action 100+ initiative. In our new Net Zero value engagement theme, we are now co-leading the engagement for Climate Action 100+ for five of the 15 companies and acting as a collaborative engager for another five companies.

How has engagement been progressing so far?

It is still too early in the process to comment around the success of engagement – we hope to see more quantitative results in 18-24 months' time. However, there are some notable cases to highlight so far:

LyondellBasell

We co-lead the engagement with LyondellBasell under the Climate Action 100+ initiative and coordinated a meeting with the chairperson earlier in the year. This was the first time that direct engagement with a non-executive board member had taken place under the initiative. Here, we were able to convey our expectations of the company, which still performs relatively poorly on external benchmarks, despite recent progress. Following this meeting, LyondellBasell published its revised sustainability report. We were pleased to see many improvements, including the publication of short-term targets and enhanced detail around the decarbonization strategy to 2030 that we had recommended in our prior engagement covered in this report. We recognized this progress in a more recent engagement with the company and gave further feedback on the report, specifically around our future objectives from the engagement around scope 3 emissions targets and climate lobbying.

Enel

We have co-led the engagement with Enel under the Climate Action 100+ initiative since 2018. We have seen significant progress across most of our engagement objectives since then. More recently, we have focused our engagement on Enel's climate lobbying and disclosures. Over the last year we have had intense engagement with the company on this topic and provided extensive feedback based on our expectations. In Q2 2022, we have seen positive results from this engagement effort, as the company has significantly improved its disclosures on climate lobbying. In Enel's 2021 Consolidated and Sustainability Reports, the company disclosed for the first time its assessment on the level of alignment with the goals the Paris Agreement. This is something that the industry associations that Enel is member of had been advocating for. Based on the enhanced transparency and adoption of good practice, InfluenceMap – an independent think-tank ranking corporate climate lobbying – has upgraded Enel's score from 21/100 to 57. This means Enel now ranks third among Climate Action 100+ focus companies that have published an industry association review. ■

'WHILE THE FOCUS OF MANY OF OUR ENGAGEMENTS IS ON EMISSIONS REDUCTION TARGETS OVER THE SHORT, MEDIUM AND LONG TERM, IT IS NECESSARY TO ENSURE THAT COMPANIES ARE CLEAR ABOUT THEIR PLANS TO ACHIEVE THIS.'

NICK SPOONER

A new era for AGMs?

GOOD GOVERNANCE

MICHIEL VAN ESCH – *Engagement specialist*

The AGM season, when most companies hold their annual general meeting of shareholders, presents a unique opportunity for investors to engage with companies. With the world moving out of lockdowns, companies are increasingly adopting hybrid AGMs to allow more people to attend. Meanwhile, investors are using AGMs to take stronger stances towards topics such as remuneration, social responsibility and climate action.



Hybrid AGMs; having your cake and eating it

Until the global pandemic, most institutional shareholders cast their votes by proxy well in advance of the AGM. The actual meeting is typically attended in person by retail shareholders. Institutional shareholders only show up to make a public statement in a few cases, with most dialogue happening well before the AGM.

The global health pandemic inherently changed all that. While digital meetings enable a wider set of shareholders to join meetings, they also allow the degree of interaction to be controlled by management or the board. Some companies have made a point of answering all the questions posed even under a digital set-up, yet other companies only answer the questions that were convenient to answer. The fully digital AGM allows many more shareholders to join in, but accountability is low, as management can avoid awkward questions, and there is little opportunity for shareholders to ask follow-up questions when the answers given are too vague.

During the 2022 season, we have seen that many companies are trying to have the best of both worlds. Hybrid meetings allow shareholders that cannot travel long distances to ask questions or make comments from their offices abroad. Shareholders who want to make sure that their messages are not ‘muted’ can show up at the meeting to make their voices heard. Currently, we see many different forms of AGMs taking place across the world. In some industries, the fully digital AGM seems to be preferred, whereas other markets show a clear preference for a return to pre-pandemic meetings in person.

We believe that the future set-up should allow for both; allowing a broad group of shareholders to attend online AGMs, whilst facilitating in-person attendance. In the Netherlands, several companies have already made this hybrid model work. For example, our attendance at the AGM of DSM showed us that meetings can be efficiently held with both shareholders calling into the meeting and asking questions from their location.

Obviously, there are also downsides to the in-person component of hybrid AGMs, such as when special interest groups join meetings as shareholders, claim a podium for themselves, and disrupt the flow of the meeting. An example of this was when several participants of the AGM of Shell (formally known as Royal Dutch Shell) glued themselves to their seats and caused the meeting to be delayed for several hours.

Remuneration; measuring with diverging standards

The time when shareholders viewed remuneration to be the only instrument they could use to align management with creating shareholder returns is over. An increasing number of remuneration reports and policies have been subject to shareholder dissent in

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MICHIEL VAN ESCH

recent years. Regulations such as the amended Shareholder Rights Directive (SRD2) in Europe give shareholders more tools with which to express their disapproval of remuneration practices. Additionally, the Covid-19 pandemic has changed the perspective on remuneration, both in the eyes of society and in what shareholders consider to be acceptable remuneration practices.

One example of a shareholder revolt was seen at Philips, where 80% of shareholders voted against the company’s bonus scheme because of re-adjustments of performance targets. The supervisory board claimed that supply chain challenges were simply external issues, and that the lagging performance could not be attributed to management. Even if this were true, shareholders seem to be uncomfortable allowing remuneration committees to adjust the financial outcome for management if this cannot also be applied to the company’s other stakeholders. Phillips’ shareholders suffered a 40% loss of capital due to the supply problems, while its customers were delivered faulty medical equipment and did not receive any compensation.

While in Europe shareholders consider a EUR 1.5 million bonus unacceptable in the light of a poor stakeholder experience, in the US, CEO pay levels are rising to new records, Apple’s CEO was paid USD 98 million for his performance this year. His performance-based long term incentive plan – with a grant date fair value of almost USD 45 million – is based on three-year performance against one sole metric, with a sizeable portion of the award still vesting in the event of below-median performance. Even though his pay package attracted a ‘vote against’ advisory from proxy voting advisor ISS, the vast majority of shareholders (64%) approved his remuneration anyway.

In our engagement with companies, we urge remuneration committees to use pay packages to align incentives with long-term value creation considering both financial returns and sustainability. This also means that we expect companies to apply moderation in their pay awards for CEOs. The concept of accountability for pay for many investors is shifting from a purely shareholder approach to one embracing all stakeholders.

Climate proposals are gaining support

Shareholders are increasingly using their voting rights to push companies to take responsibility for environmental and social ('E&S') issues. At the recent AGMs of Exxon Mobil, a majority of shareholders supported a request for more disclosures on how the company could be affected by the International Energy Agency's net zero 2050 models. More than one-third of Exxon shareholders also supported a shareholder proposal asking for a report about the company's efforts to reduce its contribution to the use of single-use plastics. Some 39% of shareholders voted for a full accounting of the company's climate risks.

Social topics are also gaining support. For example, technology companies in the US are often asked to report on risks associated with privacy issues, or how their products are used in countries that are associated with human rights violations. Shareholder proposals remain unlikely to gain a majority support in technology companies owing to these firms' dual-share classes allowing management to control a significant portion of the vote.

Although shareholder proposals are a good way to flag some shareholders views that companies should make progress on E&S issues, such resolutions are not filed consistently across markets. In the US, shareholder resolutions are much more common and are often used as a starting point for engagement. In Europe on the other hand, constructive dialogue is often the preferred tool to influence management, but this often lacks the teeth of a vote. Therefore, we push companies to introduce additional mechanisms for accountability on E&S performance, for example by submitting their climate transition plans to a vote (the so-called Say on Climate), or by improving their risk reporting on sustainability issues.

European regulations will soon require companies to submit their sustainability reports to the AGM. This seems like a mere technicality, but allowing shareholders to have a specific voting item on sustainability can be a starting point for additional impetus for best practices on sustainability. It is also a means for shareholders to add their voice when demanding companies to make further progress on their sustainability performance. ■

The cost of circularity

SINGLE USE PLASTICS

SYLVIA VAN WAVEREN — *Engagement specialist*

From preserving food to transporting medicine, single-use plastics have become an essential part of modern life. However, the waste it generates is slowly catching up with us, flowing into seas and covering roadsides where there is no efficient waste infrastructure. To safeguard our planetary boundaries, companies must move towards a circular model that can alleviate the drawbacks of single-use plastics and have a positive business impact.

While delivering many benefits, the current use of plastic packaging has drawbacks that are becoming more apparent by the day. Single-use plastic products are made within seconds, used for just minutes, and remain as waste for centuries. From 2019 to 2022, Robeco engaged with 10 companies with the aim of driving the global plastics value chain towards a more circular economic model. After three years, we successfully closed 80% of our engagement dialogues.

Reduce, reuse, and recycle single-use plastic

Plastics are used in almost every part of our modern economy, combining superior functional properties with low cost. Their use has increased 20-fold since the 1970s and this is expected to double again in the next two decades. Today, nearly everyone, everywhere, encounters plastic packaging that is usually used only once on a daily basis. Reducing single-use plastic has become a priority for tackling the high degree of waste that it produces. A circular economy reduces the need for single-use plastics, innovates so that plastics can be reused or composted, and recirculates everything by keeping it within the 'loop' economy and away from the environment.

Challenges and issues

There are numerous, interlinked challenges and struggles with managing plastics, with some challenges arising from these solutions as well. We found that the development of responsible packaging sometimes conflicts with other solutions. For example, bioplastics are seen as a major solution to waste as they degrade

more easily than regular plastics, but this can complicate recycling systems further. Bioplastics are made of non-fossil fuel-based feedstock, which is positive in their ability to reduce climate impact, but often have comparable negative impacts when they are not recycled as regular plastics. Furthermore, these compostable materials are often not of sufficient quality to protect the food that is wrapped in them.

Recycled plastic still too expensive

We also found that there is an urgent need to improve the supply and demand dynamics for recycled plastic. Recycling plastic into new packaging can be costly. Household plastic waste must be sorted, melted into pellets, and turned into new packaging. That is why recycled plastic is often more expensive than new plastic. By recycling more efficiently to create an economical market for recycled plastics, companies can seize the opportunities and adapt their business models accordingly.

Engagement focus

The aim of this theme was to drive the global plastic packaging value chain towards a more circular model and improve the supply and demand dynamics for recycled plastic. This engagement focused on improving sustainability within the plastic industry. The 10 companies that were targeted operate within industries that have the potential to combat plastic waste issues. We engaged with the whole plastics value chain from petrochemicals, plastic packaging and consumer packaged goods to retail companies.

The results of our engagement

Companies are implementing innovative recycling initiatives and are involved in industry-wide collaborations. However, we saw little progress towards a fully circular model, and evidence of more responsible lobbying efforts regarding regulation was limited. In April 2022, we closed eight of the 10 engagements successfully. We found that most companies were able to show good progress toward three of the engagement objectives, namely innovation management, plastic recycling and industry collaboration and partnerships. However, they showed less progress towards responsible lobbying for regulatory change and plastic harmonization.

Many initiatives, but still in early stages

Despite sizeable general progress, we noted that only a few companies have demonstrated concrete efforts to accede to a circular model. There was insufficient overall progress towards effective plastic harmonization efforts, primarily because lessening the effects of complex plastics is a very difficult challenge to mitigate. This could be seen in the earlier example of the paradox of solutions that also bring additional challenges, such as with bioplastics.

'BY RECYCLING MORE EFFICIENTLY TO CREATE AN ECONOMICAL MARKET FOR RECYCLED PLASTICS, COMPANIES CAN SEIZE THE OPPORTUNITIES AND ADAPT THEIR BUSINESS MODELS ACCORDINGLY.'

SYLVIA VAN WAVEREN

Another example of this kind of paradox is a company that has significantly invested in scaling up waste collection in Egypt, providing economic opportunities for unemployed local people while also educating the consumer about the value of recycling. However, this type of fully traceable plastic comes at a much higher cost than virgin plastic. Other examples are a company that launched an innovative drinking ecosystem initiative that was recognized by the UN PRI as a best practice in avoiding waste. Another company launched a recycling facility to return post-consumer plastic waste to its molecular form to be used as feedstock for new plastic materials.

Next steps

Robeco has been leading the call for a UN treaty on plastics and has urged other investors and financial industry stakeholders to sign up to it. This initiative, which began in the summer of 2021, was heavily supported by the Ellen MacArthur Foundation, the WWF, and companies including BASF, Tesco, Coca Cola, Danone, Henkel, Mondelez, Nestle, P&G, PepsiCo, Unilever, and Amcor, among many others. In March 2022, the UN approved a mandate for the International Negotiating Committee to develop a legally binding treaty on plastic pollution. ■

CASE STUDY

An example of a best practice achievement is Nestlé, a Swiss multinational food and drink processing company. It is the largest publicly held food company in the world. The company launched an innovative drinking ecosystem initiative that was recognized by the UN PRI as a best practice in avoiding waste. Nestlé has developed two new packaging innovations for its natural mineral water bottles. The novel water bottles are designed to function just like traditional plastic bottles but with much less plastic.

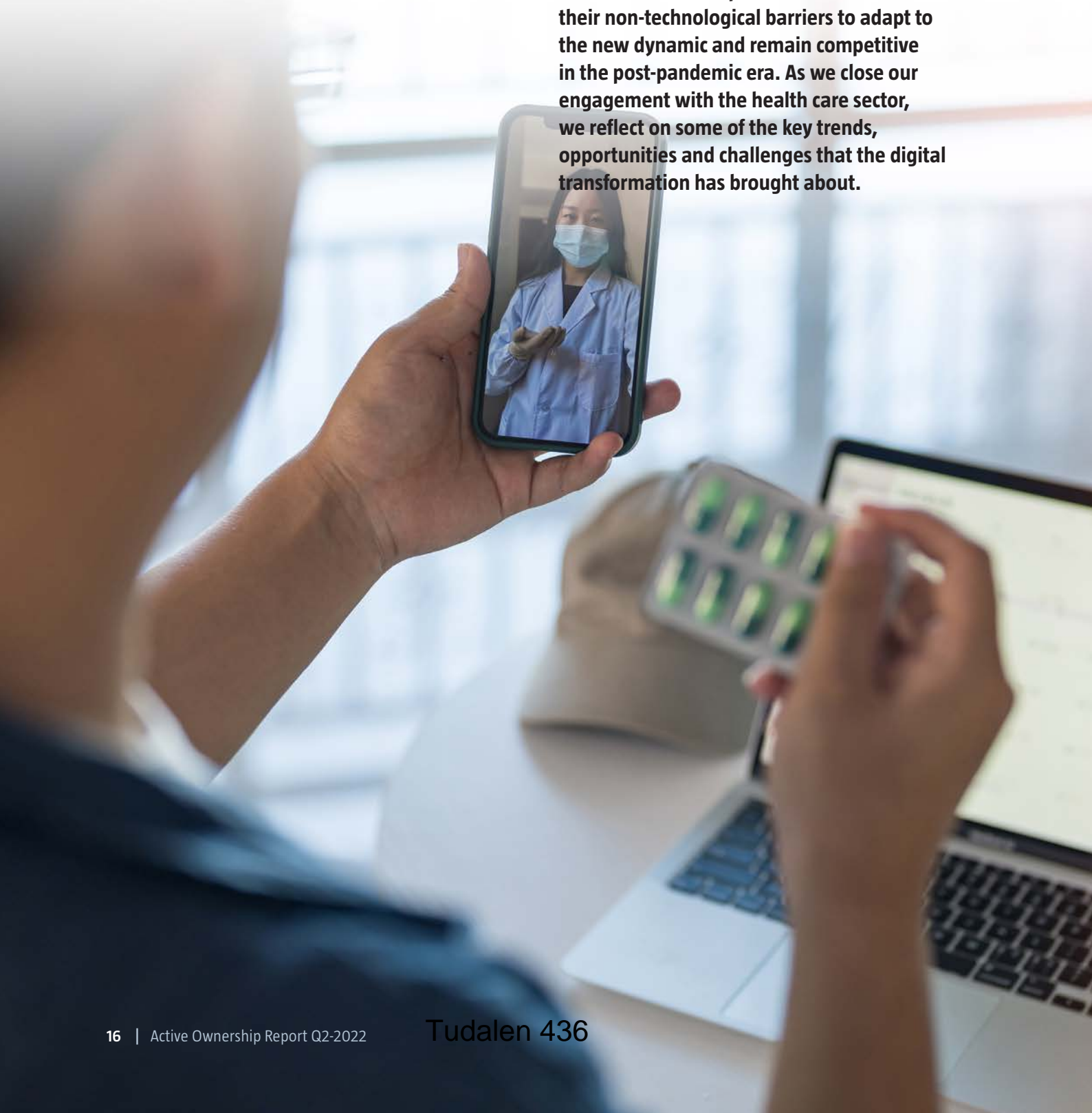
The material used is an ultra-thin plastic bottle made entirely from recycled content. It uses two times less plastic than a classic 1L bottle. The plastic layer is surrounded by a fibre-based material made from 100% recycled cardboard and old newspapers. Proprietary technologies enable the plastic and fibre-based layers to be locked together to create a functional, sturdy water bottle that can be easily used without any damage.

Digital revolution in health care

DIGITAL INNOVATION IN HEALTHCARE

LAURA BOSCH – Engagement specialist

The digital transformation that health care has seen over recent decades is now accelerating on a wider scale. The onset of the Covid-19 pandemic has not only fast-tracked the adoption of digital technologies in the health care sector. It has also forced companies to overcome their non-technological barriers to adapt to the new dynamic and remain competitive in the post-pandemic era. As we close our engagement with the health care sector, we reflect on some of the key trends, opportunities and challenges that the digital transformation has brought about.



According to Accenture's research, 81% of health care executives say the pace of digital transformation at their organization is accelerating. To be successful, the health care C-suite must adopt a digital-first, people-centric approach across all areas of their organization. Many firms under engagement have written their first vision statements and set targets on utilizing digital innovation. The pharmaceutical industry is lagging slightly behind other industry players such as medical equipment suppliers or health care information technology providers. Until recently, there was no need to change their business-as-usual approach, and historically, there have been limited requests by the outside world for transparency.

For most companies that operate in the health care sector, innovating products or service offerings provides the principal source of competitive advantage, and hence represents the engine of an enterprise's future growth. The key to the success of digital innovation lies in having an integrated approach that allows solutions to be communicated across stakeholders, and which ultimately delivers more efficient, better-integrated care to patients. Through our engagement, we learned that companies are increasingly working towards outcome-based care models that focus on working to find the best patient solutions.

Opportunities and challenges

While business partnerships are not new, we are now seeing the adoption of multi-party systems that use shared data platforms to create a resilient, adaptable and trustworthy foundation for existing and future partnerships. The global pandemic has intensified active collaboration between public and private partners, where knowledge sharing and data exchange is used to serve the broader health care system. According to McKinsey, the number of partnerships will increase as a reflection of the necessary digital integration, as well as answering the subsequent patient privacy concerns. In line with increased partnerships, regulatory changes might facilitate data sharing through secure, interoperable electronic health care databases.

There have been some bottlenecks when it comes to the overall adoption of digital solutions in the health care sector. In light of the pandemic, health care centers have tightened their budgets and now have more limited resources to invest in high-tech solutions. Another challenge that companies flag is that customers expect digital services to be free, and are not willing to pay for it. Pharmaceutical companies have also experienced an increase in demand for digital clinical trials, yet the economic benefits of these remain to be seen. There are also certain trials that cannot be fully digitalized as there is added value from physical contact between patients and doctors.

Cybersecurity is paramount

Threats to cybersecurity are one of the biggest challenges that health systems have faced amid rapid digitalization in the last few years. It is imperative that cybersecurity and privacy is fully integrated by design in the piloting and deployment of new digital health care services and solutions. Industry players are beholden to responsibly embrace the drivers of change and the challenges to come, so they can not only deliver on the promise of the future of health, but can also ensure a safe and secure tomorrow for their consumers.

In our engagements, we observe an increased recognition of the importance of sound cybersecurity, either voluntarily, or sometimes involuntarily through learning their lessons following impactful cybersecurity breaches over recent years. Next to working together with industry stakeholders such as public research centers to mitigate risks, companies are increasingly training their supervisory boards and employees to be aware of these risks. They are gradually integrating cybersecurity by design, and are taking active steps to mitigate third-party risks.

'THE KEY TO THE SUCCESS OF DIGITAL INNOVATION LIES IN HAVING AN INTEGRATED APPROACH THAT ALLOWS SOLUTIONS TO BE COMMUNICATED ACROSS STAKEHOLDERS, AND WHICH ULTIMATELY DELIVERS MORE EFFICIENT, BETTER-INTEGRATED CARE TO PATIENTS.'

LAURA BOSCH

Modernizing sales and marketing

Sales and marketing spending comprises up to half of all the costs of pharmaceutical and biotechnology companies, meaning there is a potential for digital solutions to make the process more cost efficient. Health care sales have historically been a face-to-face process, with representatives going door to door, aiming to

build long-term relationships to achieve a sale. Both the Covid-19 pandemic and the widespread adoption of digital communication in health care have made the traditional sales approach socially challenging and financially unsustainable.

A large number of companies under engagement aim to enhance their existing marketing and distribution infrastructure through digital tools. Developing a strong digital marketing function will depend on how companies can embed it in customer journeys, build internal capabilities, and use data and analytics to personalize communications to meet individual health care professionals' needs. We recognize that one of the largest barriers to success is the digital knowledge gap, which makes it difficult for organizations to find the right people to support their digital transformation.

Closure of engagement theme

In May 2022, we concluded our engagement program and closed two-thirds of the engagement cases successfully. Most companies under engagement have defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. Limited progress has been achieved on the engagement objectives 'cybersecurity' and 'sales and marketing strategy', where respectively only 54% and 23% of these were closed successfully. When it comes to cybersecurity, despite having robust policies in place, companies remain reluctant to share detailed information on external attacks and internal policy adherence failures due to commercial sensitivity issues. ■

CASE STUDY

Managed care companies face material data privacy risks given the volume of data collected and the number of contact points with patients. The US health company Anthem is working on an initiative to enhance the data privacy component of their patient data sets. The company creates synthetic data where they register a patient's health representative data, but in a way in which it could be completely delinked from the actual person that the data represents. Synthetic data can be used to share valuable primary care information for AI modelling without compromising patients' privacy.

Engaging for the goals

SDG ENGAGEMENT

ALEXANDRA MORTIMER – *Engagement specialist*

The United Nations' 17 Sustainable Development Goals (SDGs) provide a blueprint for a more sustainable future, with goals ranging from 'No poverty' and 'Industry, Innovation and Infrastructure' to 'Climate action'. Investors have a key role to play in attaining this ambition as they can leverage their influence to accelerate corporate contributions to the SDGs. To help attain these developmental ambitions, we have launched a targeted SDG engagement program, working with companies to improve their positive contributions to the goals.

With an end date of 2030, the SDGs provide a holistic, measurable roadmap to the world, outlining what countries, civil society, organizations and corporates should do to solve the planet's most pressing issues. The first companies are starting to see not only their potential to generate an impact, but also the business opportunities that can be captured by these goals. This could involve providing electricity and internet to remote communities, thereby connecting them to the labor market, facilitating better education or increasing agricultural productivity in emerging markets. In doing so companies can build more sustainable operations and avoid any negative environmental or social impacts that would attract reputational damage, regulatory action or fines.

However, many companies continue to see the SDGs as an add-on to their business, missing an integrated approach that could capture sustainable development opportunities within their business models and operations.

New beginnings

In 2021, this led to the creation of a new engagement program, focused on improving companies' contributions to the SDG's. Although Robeco has engaged with companies on the SDGs for several years, the SDG engagement theme marks a new engagement approach that focuses on seeking a measurable improvement in the contribution that investee companies can make to the goals.

More specifically, the new program has an increased frequency, intensity, and measurement of interactions with stakeholders related to each engagement case. Based on integrated research capabilities and formed around concrete objectives and SDG-relevant milestones, the engagements follow a tailored, yet consistent and structured approach. By echoing the broad scope of topics covered by the SDGs, what sets this theme apart is that it has the flexibility to address any set of issues we deem relevant to the company through a holistic engagement approach.

Our SDG framework

The SDG engagement program is an ongoing theme which focuses on companies with a high, unfulfilled potential when it comes to positively contributing to one or more of the 17 SDGs. Companies are selected for engagement using Robeco's proprietary SDG framework. This assesses contribution to the SDGs throughout the companies' products, procedures and potential involvement in controversies. It scores them on a scale of -3 for those making a highly negative impact on the goals, to +3 for a highly positive impact. The engagement theme focuses on those companies which score in the middle of this scale, from -1 to +1, as we believe in the impact these companies can have if engaged properly.

'MANY COMPANIES CONTINUE TO SEE THE SDGS AS AN ADD-ON TO THEIR BUSINESS, MISSING AN INTEGRATED APPROACH THAT COULD CAPTURE SUSTAINABLE DEVELOPMENT OPPORTUNITIES WITHIN THEIR BUSINESS MODELS AND OPERATIONS'.

ALEXANDRA MORTIMER

The aim of our engagement is to improve the positive and reduce the negative SDG contributions of the selected companies, thereby increasing the number of companies actively creating positive impact, and the likelihood that the SDGs might meet the 2030 deadline set by the United Nations.

An impact-driven approach

Guiding the SDG engagement are three key processes. Before starting an engagement, a fundamental analysis is conducted and an SDG engagement strategy is laid out for each company, setting SMART (specific, measurable, attainable, relevant and time-based) milestones. These are focused around five overarching engagement objectives, asking companies to establish strong corporate processes around impact planning, SDG reporting, target setting, stakeholder engagement and integrated governance.

Second, there is the engagement itself, during which we seek to explore the operational and product links between companies and the SDGs, and consequently encourage companies to strengthen those links in order to deliver a real-world impact.

Lastly, there is a continued evaluation of the engagement impact, from tracking companies' performance on predetermined KPIs, to asking them directly about the effectiveness of our engagement efforts. For the three to five-year engagements to be closed successfully, we require at least four out of five objectives to be met, with most milestones to be completed per objective.

A long road ahead

During its first year, we have initiated engagement with 35 companies, engaging them on one or more of the 17 SDGs. While companies recognize that the SDGs are in everyone's interest, from improving livelihoods to spurring economic growth, more structured and integrated approaches are needed to realize the 2030 goals.

We are aware that the systemic change needed for a sustainable future requires not only company-specific but also global action. By seeking active collaboration and by sharing our journey and research on how we engage with companies on their contributions to the SDGs, we hope to exemplify what investor-led partnerships for the goals can achieve. ■

CASE STUDY

The software company Adobe's most significant link to the SDGs is characterized by its potential involvement in the manipulation of digital content, among which are AI-created 'deepfakes'. The potential for adverse use of products such as Photoshop and its video counterpart, Premier, exposes Adobe to societal risks embodied by SDG 16 (peace, justice and strong institutions).

To address these risks, Adobe has created a digital watermark to facilitate transparency and authentication, and we will encourage that this tool is rolled out to all its products. It has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication, which we support.

Proxy Voting

DIANA TRIF – *Engagement specialist*

ANTONIS MANTSOKIS – *Active ownership analyst*

Having yet again filed thousands of votes through this year's proxy season, our voting specialists Diana Trif and Antonis Mantsokis share the key highlights of the 2022 proxy season, which was marked by a growing focus on shareholder rights, as well as niche topics, such as corporates' approach to US abortion laws and an increasing number of disguised anti-ESG resolution.



Shareholder rights in the spotlight during 2022 Proxy Season

Against the backdrop of the COVID-19 pandemic, the 2022 proxy season continues to witness an increased focus on shareholder rights. Virtual-only meetings and the push for more robust minority shareholder rights remain top of mind as companies come under high scrutiny over Environmental, Social, and Governance (ESG) topics.

The pandemic prompted countries worldwide to amend their legislation to enable virtual-only shareholder meetings. With the temporary relief measures expiring, many companies proposed article amendments that would allow them to hold virtual-only meetings at their discretion. Proponents of this meeting format cite its ability to facilitate high attendance while reducing costs and the carbon footprint. However, recent years have shown that virtual-only shareholder meetings can severely deprive shareholders of their rights as management is afforded the discretion to filter out inconvenient questions. For this reason, we oppose any article amendments that grant companies the discretion to hold shareholder meetings in a virtual-only format outside exceptional circumstances. However, we support amendments enabling hybrid meetings, as we consider that this format brings many of the advantages of virtual-only meetings without jeopardizing shareholder participation rights.

The 2022 proxy season also saw shareholders continue pushing to expand their rights and enact change at companies deemed to lag their expectations. Meeting agendas were packed with proposals seeking amendments to provisions governing proxy access, special meetings, and action by written consent, as well as resolutions calling for companies to adopt the “one share, one vote” principle. Particularly noteworthy were the many “fix-it” shareholder proposals seeking amendments to existing proxy access bylaws. These called for changes to aggregation limits or holding period requirements, indicating that shareholders have a thorough understanding of the technicalities surrounding their participation tools, and clear expectations regarding what rights they should hold. In all instances, we judged the merits of these shareholder proposals on a case-by-case basis. We supported proposals deemed to protect minority shareholder rights and strengthen director accountability while safeguarding long-term shareholder interests.

In some cases, shareholder initiatives to enact change translated into large-scale proxy contests. A notable development in this sense was the proxy fight launched by Carl Icahn at McDonald’s over animal welfare. Although the campaign failed, many viewed this attempt as a signal that ESG-driven proxy contests may become commonplace. This speculation is spurred by recent proxy rules amendments passed in the US by the Securities and Exchange

Commission, which will mandate the use of universal proxy cards in election contests as of August 2022. These require that all proxy cards distributed in contested elections include all nominees up for election, enabling shareholders voting by proxy to mix and match nominees from distinct slates. In the case of proxy contests, we base our voting decisions on several factors, including, among other things, the validity of the dissident’s case for change at the company and whether the proposed plan is in line with the shareholders’ long-term interests.

Investors focus on this year’s Proxy Season

The 2022 proxy season, as it was expected, was an active one. It is challenging to decide where the focus was this season. There was certainly a lot of interest in numerous post-pandemic Say-On-Pay proposals and some corporate governance agenda items covering board elections. Additionally, there was also a lot of enthusiasm for some notorious Say-On-Climate resolutions. There is no doubt that this season was busier due to the high volume of ESG shareholder resolutions making it to proxy ballots.

The increase in shareholder proposal filings was prompted by the priorities shift at the US Securities and Exchange Commission (SEC) over the last year. In November 2021, the SEC issued new guidance on how they would interpret the rules used by companies to exclude ESG shareholder proposals, making it more difficult for companies to remove environmental and social proposals from their proxies. This guidance gave investors significant power to raise their concerns by submitting resolutions on essential matters and voting on them.

Investors’ attention in this proxy season was on environmental matters. The most prominent shareholder resolutions requested companies for greater disclosure of their impact on climate and the risks this entails, the adoption of concrete emissions reduction targets in all scopes, and reporting on board oversight on the company’s climate initiatives. We also saw investors asking companies to disclose their lobbying activities on climate issues, as well as to report on how they would shift their business to using recycled plastic, and to communicate their efforts to decrease deforestation.

Say-On-Climate has been a dominant issue since the 2021 proxy season, and the debate also continued this year. We also noticed a strong increase in shareholder proposals asking for the adoption of Say-On-Climate proposals in future AGMs. Investors’ views in this respect though have been diverse. Some have been more decisive in supporting the facilitation of these proposals, while others have been more skeptical. One thing is sure - many investors are adopting a more detailed and case-by-case approach when assessing their votes on Say-On-Climate proposals, pushing

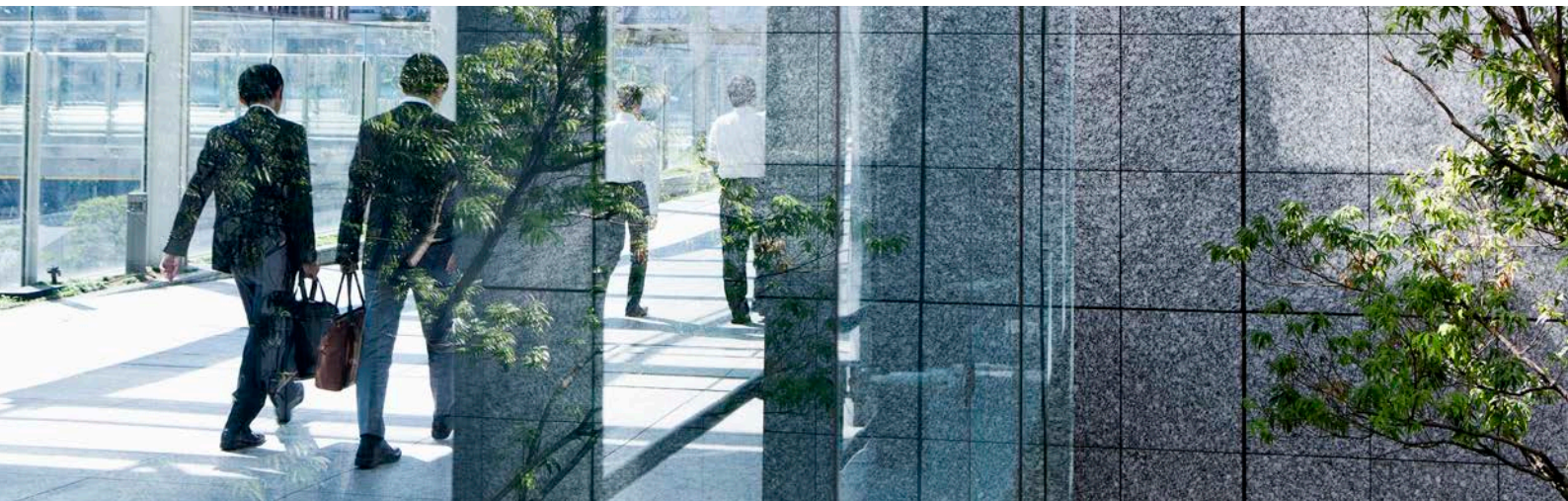
companies to provide clear and comprehensive climate-related information.

Social shareholder resolutions focusing on diversity, equity, and inclusion were also high on the agenda for investors. There has been increasing support for resolutions focusing on disclosing data on gender and racial pay gaps. High support was also received by resolutions asking companies to conduct racial equity audits to detect how their business activities might have 'adverse impacts on non-white stakeholders and communities of color.' This year we also saw shareholders asking companies to explain the use of concealment clauses in employment contracts, which limit the ability of an employee to discuss grievances or concerns about employment practices. Lastly, abortion rights have moved up on responsible investors' agenda, pushing companies to support employees' rights in those US states where lawmakers have passed or proposed legislation that would severely restrict women's ability to access legal terminations of pregnancies.

This proxy season, we also saw an increase in anti-ESG shareholder resolutions. A prominent example was the 'civil rights and non-discrimination' proposal, which asked the companies to conduct audits of their impact on civil rights. The resolution initially seemed supportable. Nevertheless, after carefully reviewing the proponent's supporting statement, it showed that the proposals also argued that "anti-racist" programs are discriminatory "against employees deemed non-diverse". This argument revealed filler's intentions to frustrate companies' efforts to promote civil rights and social justice.

Last but not least, on Governance, the shareholder proposals that attract investors' interest remain those focusing on supermajority vote requirements, the ability to call special shareholder meetings, and action by written consent. A high support rate was seen in the case of shareholder proposals asking the company to separate the roles of CEO and Chair of the Board. This development is welcomed by most investors since an independent chair can better oversee a company's executives and set a pro-shareholder agenda. ■

COMPANIES UNDER ENGAGEMENT



Lifecycle Management of Mining

Newcrest Mining
BHP Billiton
Anglo American
AngloGold Ashanti Ltd.
Barrick Gold Corp.
First Quantum Minerals Ltd.
Fortescue Metals Group Ltd.
Gerdau SA
Grupo Mexico SAB de CV
Polymetal International Plc
Polyus Gold OAO
Sibanye Stillwater Ltd.

Natural Resource Management

OCI NV
Tronox Holdings Plc
CF Industries Holdings, Inc.
Sappi Ltd.
Callon Petroleum Co.
Continental Resources, Inc.

Net Zero Carbon Emissions

CEZ as
BP
ArcelorMittal
BlueScope Steel Ltd.
CRH Plc
ExxonMobil
Gazprom OAO
HeidelbergCement AG
Neste Oil Oyj
POSCO
PTT Public

Vistra Energy Corp.
WEC Energy Group Inc
Enel
Royal Dutch Shell
Anglo American
Berkshire Hathaway
BHP Billiton
Chevron
China National Building Material Co. Ltd.
Ecopetrol SA
Hyundai Motor
JFE Holdings, Inc.
LyondellBasell Industries NV
Marathon Petroleum Corp.
Petroleo Brasileiro
Phillips 66
Rio Tinto
Saudi Arabian Oil Co.
Valero Energy Corp.

Climate Transition of Financial Institutions

Bank of America Corp.
Barclays Plc
Citigroup, Inc.
HSBC
ING Groep NV
BNP Paribas SA
Sumitomo Mitsui Financial Group, Inc.
DBS Group Holdings
Australia & New Zealand Banking Group Ltd.

Sound Environmental Management

Royal Ahold Delhaize N.V.
Colgate-Palmolive Co.
Danone
McDonalds
METRO Wholesale & Food Specialist AG
Mondelez International
Nestlé
Tesco Plc
Wal-Mart Stores
BHP Billiton
Origin Energy Ltd.
Guangdong Investment Ltd.

Biodiversity

Archer Daniels Midland
Barry Callebaut AG
Bridgestone
Bunge Ltd.
Compagnie Generale des Etablissements Michelin SCA
JBS SA
Marfrig Foods SA
Mondelez International
Sappi Ltd.
Suzano Papel e Celulose SA
Top Glove Corp. Bhd.
The Hershey Corporation

Single Use Plastics

Berry Plastics Group, Inc.
Carrefour
Henkel AG & Co. KGaA

LyondellBasell Industries NV
Nestlé
PepsiCo, Inc.
Procter & Gamble Co.
Sealed Air Corp.
Danone

Labor Practices in a Post Covid-19 World

Accor SA
Delivery Hero AG
InterContinental Hotels Group Plc
Marriott International, Inc.
Meituan Dianping
Uber Technologies, Inc.
Wal-Mart Stores

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas

Bharat Electronics Ltd.
Booking Holdings, Inc.
Cemex SAB de CV
Fast Retailing
HeidelbergCement AG
Inditex
PTT Exploration & Production
Sinotruk Hong Kong Ltd.
SolarEdge Technologies, Inc.
Wacker Chemie AG

Social Impact of Artificial Intelligence

Microsoft
Booking Holdings, Inc.
Visa, Inc.
Accenture Plc

Digital Innovation in Healthcare

Abbott Laboratories
AbbVie, Inc.
CVS Caremark Corp.
Fresenius SE
Philips
Roche
Quintiles IMS Holdings, Inc.
Sinopharm Group Co., Ltd.
HCA Holdings, Inc.
UnitedHealth Group
Anthem, Inc.

Eli Lilly & Co.

Social Impact of Gaming

Activision Blizzard, Inc.
NCsoft Corp.
NetEase.com, Inc.
Take-Two Interactive Software, Inc.
Tencent Holdings Ltd.

Sound Social Management

Teva Pharmaceutical Industries Ltd.
Treasury Wine Estates Ltd.
Glencore Plc
MTN Group
Swire Pacific
Procter & Gamble Co.
Thermo Fisher Scientific, Inc.
Aon Plc
Reckitt Benckiser Group Plc
Tesco Plc
Bayerische Motoren Werke

Corporate Governance in Emerging Markets

Companhia de Concessões Rodoviárias SA
CPFL Energia SA
Anhui Conch Cement Co. Ltd.
XinAo Gas Holdings Ltd.
Hyundai Motor
Samsung Electronics
Woongjin Coway Co. Ltd.
Haier Smart Home Co., Ltd.

Corporate Governance Standards in Asia

ROHM Co. Ltd.
Asics Corp.
Mando Corp.
Hyundai Motor
Samsung Electronics
China Mobile Ltd.
Hynix Semiconductor, Inc.
OMRON Corp.
INPEX Corp.
Ebara Corp.
Mitsubishi Motors
Shin-Etsu Chemical Co. Ltd.

Good Governance

DSM

Heineken Holding
Unilever
Royal Dutch Shell
Samsung Electronics
Schneider Electric SA
Gerdau SA
Flow Traders NV
Nissan Motor
Sumitomo Mitsui Financial Group, Inc.
Arcadis NV
SoftBank Corp.

Responsible Executive Remuneration

Deutsche Boerse
Henkel AG & Co. KGaA
Linde Plc
NIKE
Schneider Electric SA
STMicroelectronics NV
Tesco Plc
Walt Disney
Wolters Kluwer
Booking Holdings, Inc.

SDG Engagement

Adobe Systems, Inc.
Alphabet, Inc.
Amazon.com, Inc.
Anthem, Inc.
Apple
Aptiv PLC
Boston Scientific Corp.
Banco BTG Pactual S.A.
CB Richard Ellis Group, Inc.
Companhia de Concessões Rodoviárias SA
Charter Communications, Inc.
Deutsche Boerse
eBay
Elanco Animal Health, Inc.
Electronic Arts, Inc.
F5 Networks, Inc.
Facebook, Inc.
Jeronimo Martins
JPMorgan Chase & Co., Inc.
L'Oréal
NASDAQ OMX Group, Inc.
Neste Oil Oyj
Novartis
Rio Tinto

Salesforce.com, Inc.
SaIMar ASA
Samsung Electronics
Sandvik AB
Sony
STMicroelectronics NV
Union Pacific
United Parcel Service, Inc.
Volvo Group
Zoetis, Inc.
Capital One Financial Corp.
Total
Mr. Price Group Ltd.
OTP Bank Nyrt

Acceleration to Paris

Anhui Conch Cement Co. Ltd.
Caterpillar, Inc.
China Petroleum & Chemical
Formosa Plastics Corp.
ITOCHU Corp.
Marubeni Corp.
Mitsubishi
Nippon Steel & Sumitomo Metal Corp.
Lukoil Holdings OAO
PetroChina
POSCO
Rosneft NK OAO
Sumitomo Corp.

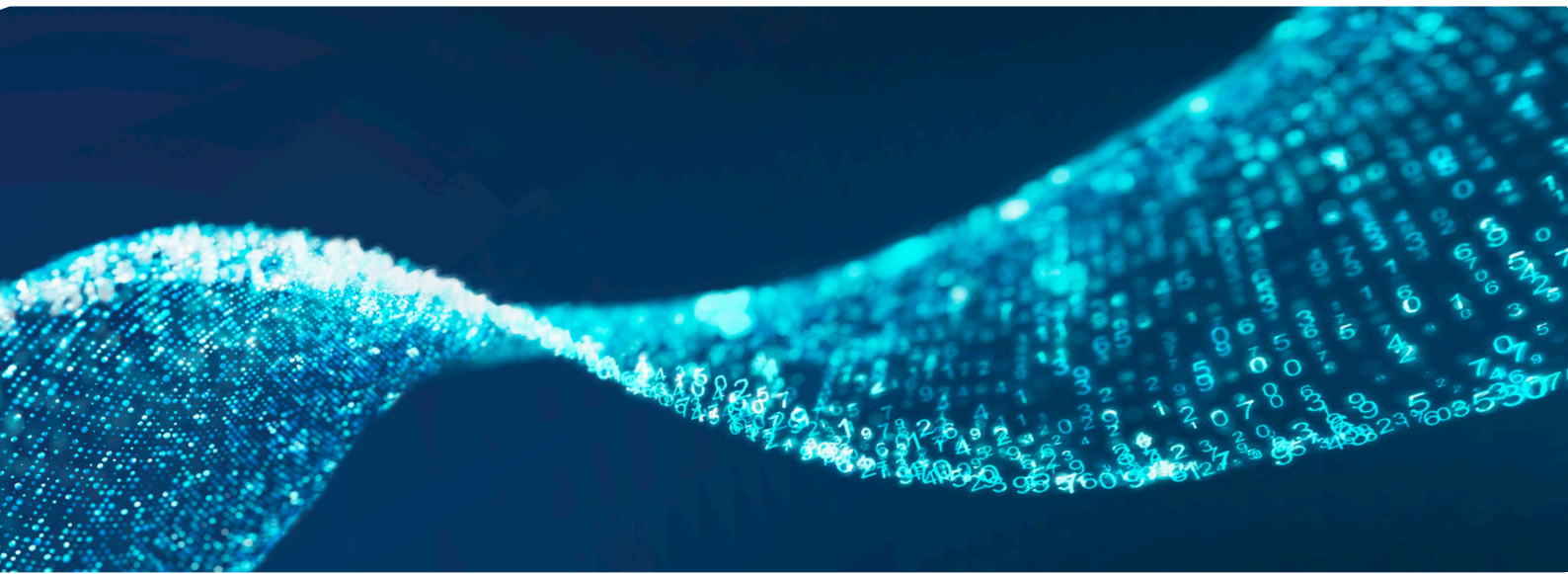
Palm Oil

Golden Agri-Resources
IOI Corp. Bhd.
Kuala Lumpur Kepong Bhd.
Olam International Ltd.
Wilmar International
Genting Bhd.
M.P. Evans Group Plc
Rea Holdings Plc

Global Controversy Engagement

During the quarter, 19 companies were engaged based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

CODES OF CONDUCTS



Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out two different types of corporate engagement with the companies in which we invest; value engagement and enhanced engagement. In both types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like

the way we look at other drivers such as company financials or market momentum.

More information is available at: <https://www.robeco.com/docm/docu-robeco-engagement-policy.pdf>

The UN Global Compact

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

Human rights

1. Companies should support and respect the protection of human rights as established at an international level

2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

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

Environment

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

Anti-corruption

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

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

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

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

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

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

International codes of conduct

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

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

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

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

Robeco's Voting Policy

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

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO₂ emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

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

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

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

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

IMPORTANT INFORMATION

Robeco Institutional Asset Management B.V. (Robeco B.V.) has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from The Netherlands Authority for the Financial Markets in Amsterdam. This document is solely intended for professional investors, defined as investors qualifying as professional clients, who have requested to be treated as professional clients or who are authorized to receive such information under any applicable laws. Robeco B.V. and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. The contents of this document are based upon sources of information believed to be reliable and comes without warranties of any kind. Any opinions, estimates or forecasts may be changed at any time without prior notice and readers are expected to take that into consideration when deciding what weight to apply to the document's contents. This document is intended to be provided to professional investors only for the purpose of imparting market information as interpreted by Robeco. It has not been prepared by Robeco as investment advice or investment research nor should it be interpreted as such and it does not constitute an investment recommendation to buy or sell certain securities or investment products and/or to adopt any investment strategy and/or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. This document is not directed to, nor intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject Robeco B.V. or its affiliates to any registration or licensing requirement within such jurisdiction.

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Additional Information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. is relying on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.



Contact

Robeco

P.O. Box 973
3000 AZ Rotterdam
The Netherlands

T +31 10 224 1 224

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Tudalen 451

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Proxy Voting Report

Period: April 01, 2022 - June 30, 2022

Votes Cast	4831	Number of meetings	349
For	4151	With management	3992
Withhold	33	Against management	839
Abstain	51		
Against	587		
Other	9		
Total	4831	Total	4831

In 280 (80%) out of 349 meetings we have cast one or more votes against management recommendation.

General Highlights

Shareholder rights in the spotlight during 2022 Proxy Season

Against the backdrop of the COVID-19 pandemic, the 2022 proxy season continues to witness an increased focus on shareholder rights. Virtual-only meetings and the push for more robust minority shareholder rights remain top of mind as companies come under high scrutiny over Environmental, Social, and Governance (ESG) topics.

The pandemic prompted countries worldwide to amend their legislation to enable virtual-only shareholder meetings. With the temporary relief measures expiring, many companies proposed article amendments that would allow them to hold virtual-only meetings at their discretion. Proponents of this meeting format cite its ability to facilitate high attendance while reducing costs and the carbon footprint. However, recent years have shown that virtual-only shareholder meetings can severely deprive shareholders of their rights as management is afforded the discretion to filter out inconvenient questions. For this reason, we oppose any article amendments that grant companies the discretion to hold shareholder meetings in a virtual-only format outside exceptional circumstances. However, we support amendments enabling hybrid meetings, as we consider that this format brings many of the advantages of virtual-only meetings without jeopardizing shareholder participation rights.

The 2022 proxy season also saw shareholders continue pushing to expand their rights and enact change at companies deemed to lag their expectations. Meeting agendas were packed with proposals seeking amendments to provisions governing proxy access, special meetings, and action by written consent, as well as resolutions calling for companies to adopt the “one share, one vote” principle. Particularly noteworthy were the many “fix-it” shareholder proposals seeking amendments to existing proxy access bylaws. These called for changes to aggregation limits or holding period requirements, indicating that shareholders have a thorough understanding of the technicalities surrounding their participation tools, and clear expectations regarding what rights they should hold. In all instances, we judged the merits of these shareholder proposals on a case-by-case basis. We supported proposals deemed to protect minority shareholder rights and strengthen director accountability while safeguarding long-term shareholder interests.

In some cases, shareholder initiatives to enact change translated into large-scale proxy contests. A notable development in this sense was the proxy fight launched by Carl Icahn at McDonald’s over animal welfare. Although the campaign failed, many viewed this attempt as a signal that ESG-driven proxy contests may become commonplace. This speculation is spurred by recent proxy rules amendments passed in the US by the Securities and Exchange Commission, which will mandate the use of universal proxy cards in election contests as of August 2022. These require that all proxy cards distributed in contested elections include all nominees up for election, enabling shareholders voting by proxy to mix and match nominees from distinct slates. In the case of proxy contests, we base our voting decisions on several factors, including, among other things, the validity of the dissident’s case for change at the company and whether the proposed plan is in line with the shareholders’ long-term interests.

Investors focus on this year’s Proxy Season

The 2022 proxy season, as it was expected, was an active one. It is challenging to decide where the focus was this season. There was certainly a lot of interest in numerous post-pandemic Say-On-Pay proposals and some corporate governance agenda items covering board elections. Additionally, there was also a lot of enthusiasm for some notorious Say-On-Climate resolutions. There is no doubt that

this season was busier due to the high volume of ESG shareholder resolutions making it to proxy ballots.

The increase in shareholder proposal filings was prompted by the priorities shift at the US Securities and Exchange Commission (SEC) over the last year. In November 2021, the SEC issued new guidance on how they would interpret the rules used by companies to exclude ESG shareholder proposals, making it more difficult for companies to remove environmental and social proposals from their proxies. This guidance gave investors significant power to raise their concerns by submitting resolutions on essential matters and voting on them.

Investors' attention in this proxy season was on environmental matters. The most prominent shareholder resolutions requested companies for greater disclosure of their impact on climate and the risks this entails, the adoption of concrete emissions reduction targets in all scopes, and reporting on board oversight on the company's climate initiatives. We also saw investors asking companies to disclose their lobbying activities on climate issues, as well as to report on how they would shift their business to using recycled plastic, and to communicate their efforts to decrease deforestation.

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Voting Highlights

Johnson & Johnson - 04/28/2022 - United States

Proposals: Shareholder Proposal Regarding Public Health Costs of Limiting COVID-19 Vaccine Technologies, Shareholder Proposal Regarding Racial Impact Audit & Shareholder Proposal Prohibiting Adjustments for Legal and Compliance Costs.

Johnson & Johnson researches, develops, manufactures, and sells a range of products in the health care field worldwide.

The company's 2022 annual general meeting (AGM) agenda included a number of items routinely encountered on US firm ballots and ten proposals put forward by shareholders. One shareholder resolution was of particular importance; it called for Johnson & Johnson to commission and disclose a report on the public health costs incurred by the limited availability of its COVID-19 vaccine in poorer nations, and the extent to which this impacts the returns of diversified shareholders. We voted against the resolution after concluding that the requested report would not be in the best interest of shareholders. COVID-19 vaccine inequity is prompted by far-reaching issues such as production capacity, trade policy, and access to health care providers. Accordingly, we believe that policymakers and specialized organizations are best positioned to make pronouncements on the topic rather than vaccine makers. Moreover, we are concerned that the requested reporting would be highly speculative and would therefore not enable shareholders to better assess the risks and opportunities stemming from the company's vaccine-related business practices. Notably, less than 8.5% of the votes cast were in favor of the resolution.

That said, two shareholder proposals received near-majority support. The first called for the company to publish a third-party audit identifying means to improve the racial impact of the company's policies, practices, and products. We voted in favor of the resolution as we believe that robust disclosure on how Johnson & Johnson combats racial discrimination would help investors evaluate the risks faced by the company. The second resolution requested that the company adopt a policy prohibiting the exclusion of legal or compliance costs when determining executive compensation. We supported this resolution as we consider that executives should not be shielded from the impact of legal and compliance costs.

Pfizer Inc. - 04/28/2022 - United States

Proposals: Shareholder Proposal Regarding Intellectual Property, Shareholder Proposal Regarding Anticompetitive Practices & Shareholder Proposal Regarding Public Health Costs of Limiting COVID-19 Vaccine Technologies

Pfizer Inc. discovers, develops, manufactures, markets, distributes, and sells biopharmaceutical products worldwide.

The company's 2022 annual general meeting (AGM) saw shareholders vote on the election of directors, the say-on-pay proposal, the auditor's re-appointment, as well as five shareholder proposals.

One of the shareholder resolutions was supported by 27% of the votes cast and called for Pfizer to commission a third-party report assessing the feasibility of transferring intellectual property to facilitate COVID-19 vaccine production. We voted in favor of this proposal as we believe that additional disclosure on the topic of knowledge transfer would help investors better assess the company's prospects.

The agenda also included a shareholder proposal requesting that the company report on the board's oversight of risks related to anticompetitive practices. Since pharmaceutical companies have high exposure to the risk of anticompetitive

behavior, we consider that shareholders would benefit from robust disclosure on the company's policies and practices to mitigate this risk. Notably, nearly 30% of shareholders voted in favor of the proposal.

Finally, we highlight a third shareholder proposal that requested Pfizer to commission and disclose a report on the public health costs incurred by the limited availability of its COVID-19 vaccine in poorer nations and the extent to which this impacts the returns of diversified shareholders. COVID-19 vaccine inequity is prompted by far-reaching factors such as production capacity, trade policy, and access to health care providers. Accordingly, we believe that policymakers and specialized organizations are best positioned to make pronouncements on the topic rather than vaccine makers. Moreover, we are concerned that the requested reporting would be highly speculative and would therefore not enable shareholders to better assess the risks and opportunities stemming from the company's vaccine-related business practices. Notably, approximately 8.5% of the votes cast were in favor of the proposal.

Amazon.com Inc. - 05/25/2022 - United States

Proposal: Shareholder Proposals Asking for the Company to Report on Plastic Packaging, Lobbying Activities, and Working Conditions.

Amazon.com, Inc. is a U.S. multinational technology company that engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS).

The company faced 15 shareholder proposals (SHPs) at its annual general meeting (AGM) on the 25th of May. As expected, shareholders pressured the company to address issues focusing on all aspects of sustainability. Resolutions focusing on political expenditures and lobbying activities, the use of facial recognition technology, and the racial and gender pay gap were a few that came back on the agenda this year. Below we provide some insights on a few shareholder proposals that received media attention and high support from investors.

We supported the SHP that requested the company to report on plastic packaging. The resolution asked how the company could reduce its plastics use in alignment with reduction findings of authoritative sources, to reduce the majority of ocean pollution. According to the proponent's statement, Amazon does not disclose how much plastic packaging it uses but is believed to be one of the largest corporate users of flexible plastic packaging that cannot be effectively recycled. Additionally, the company generates approximately 465 million pounds of plastic packaging waste, of which 22 million ends in the ocean. We acknowledge the environmental risks stemming from plastic pollution and encourage the company to take necessary action to address this issue by producing the requested report. The resolution received 48.62% votes in favor.

Another resolution we encountered in the company's agenda, similarly to most big Tech companies, was the one regarding the preparation of a lobbying report. We believe that the company could reasonably provide more meaningful disclosure regarding its indirect lobbying expenditures and that it should publicly disclose this information in a more accessible manner. Considering the increased scrutiny placed on corporate political spending, we decided to support the resolution. The proposal received 47% of support from investors.

On human capital and employment rights, shareholders requested the company to commission an independent audit and report the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets. Reckoning that the company has faced several fines, inquiries, and significant media attention on account of the working conditions of its warehouse employees, we also decided to support the

resolution considering the high turnover ratio. The proposal received almost 44% support from shareholders.

None of the shareholder proposals received majority support. Still, the voting outcome gave the board a loud and clear message that shareholders are keeping a close eye on the company's actions and pushing for transparency and accountability.

Meta Platforms Inc - 05/25/2022 - United States

Proposal: Shareholder Proposals Asking for Recapitalization, Human Rights Impact Assessment, and Report on Lobbying.

Meta Platforms, Inc. is a U.S. multinational conglomerate that develops products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and in-home devices worldwide. Meta offers products and services globally through its social networking platforms, Facebook, Facebook Messenger, Instagram, and WhatsApp.

Similar to other big tech companies, at Meta's annual general meeting (AGM) on May 25th, there were numerous shareholder proposals (SHPs) up for a vote (13 in total). The resolutions aimed to address various Environmental, Social, and Governance (ESG) topics, from corporate governance practices to human rights and climate lobbying.

As was expected, due to the dual-class voting structure, shareholders requested the company to adopt a recapitalization plan for all outstanding stock to have one vote per share. The plan will gradually eliminate the special class of super-voting shares that gives founder and CEO Mark Zuckerberg majority control despite owning approximately 13% of the outstanding shares. We supported this resolution since we believe that one vote per share operates as a safeguard and is in the best interest of minority shareholders. The resolution received 28.11% support from shareholders.

On social issues, shareholders requested the company to report on the actual and potential human rights impacts of its targeted advertising policies and practices. Over the last years, regulators and governments have increased their efforts to minimize social media misuse, exposing social platforms to more liability for their targeted advertising practices. We consider additional disclosure to be in the best interests of shareholders, and we decided to support the resolution. The SHP received 23.76% support.

Lastly, shareholders requested the company to report on its lobbying activities. We supported the resolution for the reasons mentioned hereafter. We believe that the current disclosure level is insufficient considering the company's size and the increased scrutiny placed on corporate political spending. Meta could reasonably improve its disclosure to provide shareholders with an itemized list of recipients of its lobbying contributions, including payments made to trade associations for political purposes. Further, we are concerned with the lack of board-level oversight of its political contributions and lobbying activities, and we consider some degree of board oversight to be desirable. The proposal received 20.60% of support from investors.

McDonald's Corp - 05/26/2022 - United States

Proposals: Election of Directors & Shareholder Proposal Regarding Gestation Crates

McDonald's Corporation operates and franchises McDonald's restaurants in the United States and internationally.

The company's 2022 annual general meeting (AGM) was marked by the proxy fight

launched by activist investor Carl Icahn over animal welfare. Icahn attempted to overhaul McDonald's board to hold the fast-food chain accountable for its failure to deliver on a 2012 commitment to phase out the use of gestation crates in its US supply chain by 2022. The activist investor urged shareholders to support the election of two dissident candidates to replace longstanding directors Sheila Penrose and Richard Lenny, both independent members of McDonald's sustainability and corporate responsibility committee.

Our analysis showed that McDonald's made significant progress towards its 2012 commitment, with the company reporting that the full phase-out of gestation crates from its US supply chain was delayed to 2024 due to the impact of the COVID-19 pandemic and the global outbreak of African Swine Fever. In addition, we identified no evidence suggesting that the dissident candidates would be better suited for the fast-food chain's board than incumbent directors Sheila Penrose and Richard Lenny. Therefore, we did not support the nominees put forward by Carl Icahn.

Notably, the firm's 2022 AGM agenda also saw a shareholder proposal focusing on gestation crates. The resolution called for McDonald's to report the ratio of pork produced in its US supply chain without using gestation crates, and the risks faced by the company due to "the disparity between its gestation stall pledges/reporting and the reality within its supply chain." We supported the resolution as we believe that investors would benefit from robust disclosure on McDonald's use of gestation crates.

Alphabet Inc - 06/01/2022 - United States

Proposal: Shareholder Proposal Regarding Recapitalization, Human Rights Impact Assessment Report, and Report on Water Management Risks

Alphabet Inc is a U.S. multinational conglomerate company that is the parent company of Google and several Google subsidiaries. The company offers performance and brand advertising services. Alphabet Inc provides online advertising services in the United States, Europe, the Middle East, Africa, Asia-Pacific, Canada, and Latin America.

On the 1st of June, the company faced 17 management-opposed shareholder proposals (SHP) focusing on a wide range of Environmental, Social, and Governance (ESG) issues, from lobbying reporting to technology governance. None of these 17 resolutions passed due to the well-known problem of the multi-class share structure, which allows insiders to hold shares with superior voting power. Given that co-founders Larry Page and Sergey Brin together own a majority of the voting power, the significant support garnered by some of the shareholder resolutions is perceived as a loud and clear call for the board to take action.

This year, one resolution that came back on the agenda was the SHP requesting the board to initiate a 7-year recapitalization plan. The resolution received a bit more than 33% support from the shareholders. We decided to support the proposal since it would ultimately result in the adoption of the "one share, one vote" principle. We believe this to be in the best interest of minority shareholders, allowing them to have an equal voice and express it with their votes regarding essential matters.

This year Robeco co-filed a proposal that successfully made it to the ballot. The SHP requested the Audit and Compliance Committee to commission a human rights impact assessment report, The report will evaluate the efficacy of Alphabet's existing policies and practices to address the human rights impacts of its content management policies to address misinformation and disinformation across its platforms. The company has a preeminent role in the social media landscape, and it is critical to ensure the integrity of the information on its platforms. Additionally, recently there have been warnings from regulators and legislative attempts at exposing internet platforms to more liability on account of the content on their

websites. The proposal received 23% support from shareholders, indicating that despite the company's existing disclosure, investors need additional information on how the company is managing the abovementioned issues.

Lastly, we supported the shareholder proposal that requested the company to report quantitative water-related metrics and practices implemented to reduce climate-related water risk for each location, including for data centers. We recognize that the company has provided some level of disclosure concerning its environmental initiatives but the disclosure fall short in many respects. Indicative is that the company does not disclose its water consumption for its individual data centers, only providing an aggregated operational water use figure. Not having more granular information in this regard could harm shareholders and stakeholders. The resolution received 22.54% support from shareholders.

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Mae'r dudalen hon yn wag yn bwrpasol

Proxy Voting Report

Period: April 01, 2022 - June 30, 2022

Votes Cast	3754	Number of meetings	267
For	3147	With management	3083
Withhold	1	Against management	671
Abstain	36		
Against	570		
Other	0		
Total	3754	Total	3754

In 191 (72%) out of 267 meetings we have cast one or more votes against management recommendation.

General Highlights

Shareholder rights in the spotlight during 2022 Proxy Season

Against the backdrop of the COVID-19 pandemic, the 2022 proxy season continues to witness an increased focus on shareholder rights. Virtual-only meetings and the push for more robust minority shareholder rights remain top of mind as companies come under high scrutiny over Environmental, Social, and Governance (ESG) topics.

The pandemic prompted countries worldwide to amend their legislation to enable virtual-only shareholder meetings. With the temporary relief measures expiring, many companies proposed article amendments that would allow them to hold virtual-only meetings at their discretion. Proponents of this meeting format cite its ability to facilitate high attendance while reducing costs and the carbon footprint. However, recent years have shown that virtual-only shareholder meetings can severely deprive shareholders of their rights as management is afforded the discretion to filter out inconvenient questions. For this reason, we oppose any article amendments that grant companies the discretion to hold shareholder meetings in a virtual-only format outside exceptional circumstances. However, we support amendments enabling hybrid meetings, as we consider that this format brings many of the advantages of virtual-only meetings without jeopardizing shareholder participation rights.

The 2022 proxy season also saw shareholders continue pushing to expand their rights and enact change at companies deemed to lag their expectations. Meeting agendas were packed with proposals seeking amendments to provisions governing proxy access, special meetings, and action by written consent, as well as resolutions calling for companies to adopt the “one share, one vote” principle. Particularly noteworthy were the many “fix-it” shareholder proposals seeking amendments to existing proxy access bylaws. These called for changes to aggregation limits or holding period requirements, indicating that shareholders have a thorough understanding of the technicalities surrounding their participation tools, and clear expectations regarding what rights they should hold. In all instances, we judged the merits of these shareholder proposals on a case-by-case basis. We supported proposals deemed to protect minority shareholder rights and strengthen director accountability while safeguarding long-term shareholder interests.

In some cases, shareholder initiatives to enact change translated into large-scale proxy contests. A notable development in this sense was the proxy fight launched by Carl Icahn at McDonald’s over animal welfare. Although the campaign failed, many viewed this attempt as a signal that ESG-driven proxy contests may become commonplace. This speculation is spurred by recent proxy rules amendments passed in the US by the Securities and Exchange Commission, which will mandate the use of universal proxy cards in election contests as of August 2022. These require that all proxy cards distributed in contested elections include all nominees up for election, enabling shareholders voting by proxy to mix and match nominees from distinct slates. In the case of proxy contests, we base our voting decisions on several factors, including, among other things, the validity of the dissident’s case for change at the company and whether the proposed plan is in line with the shareholders’ long-term interests.

Investors focus on this year’s Proxy Season

The 2022 proxy season, as it was expected, was an active one. It is challenging to decide where the focus was this season. There was certainly a lot of interest in numerous post-pandemic Say-On-Pay proposals and some corporate governance agenda items covering board elections. Additionally, there was also a lot of enthusiasm for some notorious Say-On-Climate resolutions. There is no doubt that

this season was busier due to the high volume of ESG shareholder resolutions making it to proxy ballots.

The increase in shareholder proposal filings was prompted by the priorities shift at the US Securities and Exchange Commission (SEC) over the last year. In November 2021, the SEC issued new guidance on how they would interpret the rules used by companies to exclude ESG shareholder proposals, making it more difficult for companies to remove environmental and social proposals from their proxies. This guidance gave investors significant power to raise their concerns by submitting resolutions on essential matters and voting on them.

Investors' attention in this proxy season was on environmental matters. The most prominent shareholder resolutions requested companies for greater disclosure of their impact on climate and the risks this entails, the adoption of concrete emissions reduction targets in all scopes, and reporting on board oversight on the company's climate initiatives. We also saw investors asking companies to disclose their lobbying activities on climate issues, as well as to report on how they would shift their business to using recycled plastic, and to communicate their efforts to decrease deforestation.

Say-On-Climate has been a dominant issue since the 2021 proxy season, and the debate also continued this year. We also noticed a strong increase in shareholder proposals asking for the adoption of Say-On-Climate proposals in future AGMs. Investors' views in this respect though have been diverse. Some have been more decisive in supporting the facilitation of these proposals, while others have been more skeptical. One thing is sure - many investors are adopting a more detailed and case-by-case approach when assessing their votes on Say-On-Climate proposals, pushing companies to provide clear and comprehensive climate-related information.

Social shareholder resolutions focusing on diversity, equity, and inclusion were also high on the agenda for investors. There has been increasing support for resolutions focusing on disclosing data on gender and racial pay gaps. High support was also received by resolutions asking companies to conduct racial equity audits to detect how their business activities might have 'adverse impacts on non-white stakeholders and communities of color.' This year we also saw shareholders asking companies to explain the use of concealment clauses in employment contracts, which limit the ability of an employee to discuss grievances or concerns about employment practices. Lastly, abortion rights have moved up on responsible investors' agenda, pushing companies to support employees' rights in those US states where lawmakers have passed or proposed legislation that would severely restrict women's ability to access legal terminations of pregnancies.

This proxy season, we also saw an increase in anti-ESG shareholder resolutions. A prominent example was the 'civil rights and non-discrimination' proposal, which asked the companies to conduct audits of their impact on civil rights. The resolution initially seemed supportable. Nevertheless, after carefully reviewing the proponent's supporting statement, it showed that the proposals also argued that "anti-racist" programs are discriminatory "against employees deemed non-diverse". This argument revealed filler's intentions to frustrate companies' efforts to promote civil rights and social justice.

Last but not least, on Governance, the shareholder proposals that attract investors' interest remain those focusing on supermajority vote requirements, the ability to call special shareholder meetings, and action by written consent. A high support rate was seen in the case of shareholder proposals asking the company to separate the roles of CEO and Chair of the Board. This development is welcomed by most investors since an independent chair can better oversee a company's executives and set a pro-shareholder agenda.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.12.1	Rebalancing and cash management	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the period April to June 2022 there were no movements between assets.

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 30th June 2022 was £88.3m (£79.6m at 31st March 2022). The Fund received £14m of deficit contribution payments from the main employers in April and Private Market drawdowns exceeded distributions by £1.3m during the quarter.. The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year 2022/23 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.12.2	Short term tactical decisions relating to the 'best ideas' portfolio	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous report to Committee in June 2022 the transactions agreed within the portfolio were:

- Partial Redemption of Blackrock US Opportunities Fund- £10.5m (crystallised +10.6%)
- Partial Redemption of Ninety One Global Natural Resources- £13.1(crystallised +14.5%)
- Invest £23.6m in LGIM Sterling Liquidity Fund

The current allocations within the portfolio following the transactions are:

- US Equities (1.5%)
- Commodities (1.6%)
- Infrastructure (1.7%)
- Global Property (0.9%)
- UK Equity (0.6%)
- EM Equity (1.4%)
- Liquidity Fund (3.3%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

As at the end of June 2022, the Best Ideas portfolio 1 year performance was +7.1% against a target of +12.5% and the 3 year performance was +7.5% against a target of +7.2%.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.12.3	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 27% asset allocation to private equity (8%), property (4%), infrastructure (including legacy timber and agriculture assets) (8%), private debt (3%) and impact / local investing (4%) These are higher risk investments, usually in limited partnerships, and as such, previously, these are smaller commitments in the range of £8m to £15m in each. Across these asset categories there are currently in excess of 65 investment managers, investing in 120+ limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and Consultant meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG), sustainability and impact aspects on the investments made.

A review has been being undertaken of the existing portfolio and future cash flows by the Consultants and the results determined the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will commit any available monies through the WPP. The Fund Consultants and WPP will work closely to ensure the available sub funds are suitable for the Funds existing Private Market strategy. Until these asset classes are available through the WPP, the Fund will continue to work with Mercer recommendations to deploy capital and look for any opportunities which fulfil the current agreed strategy.

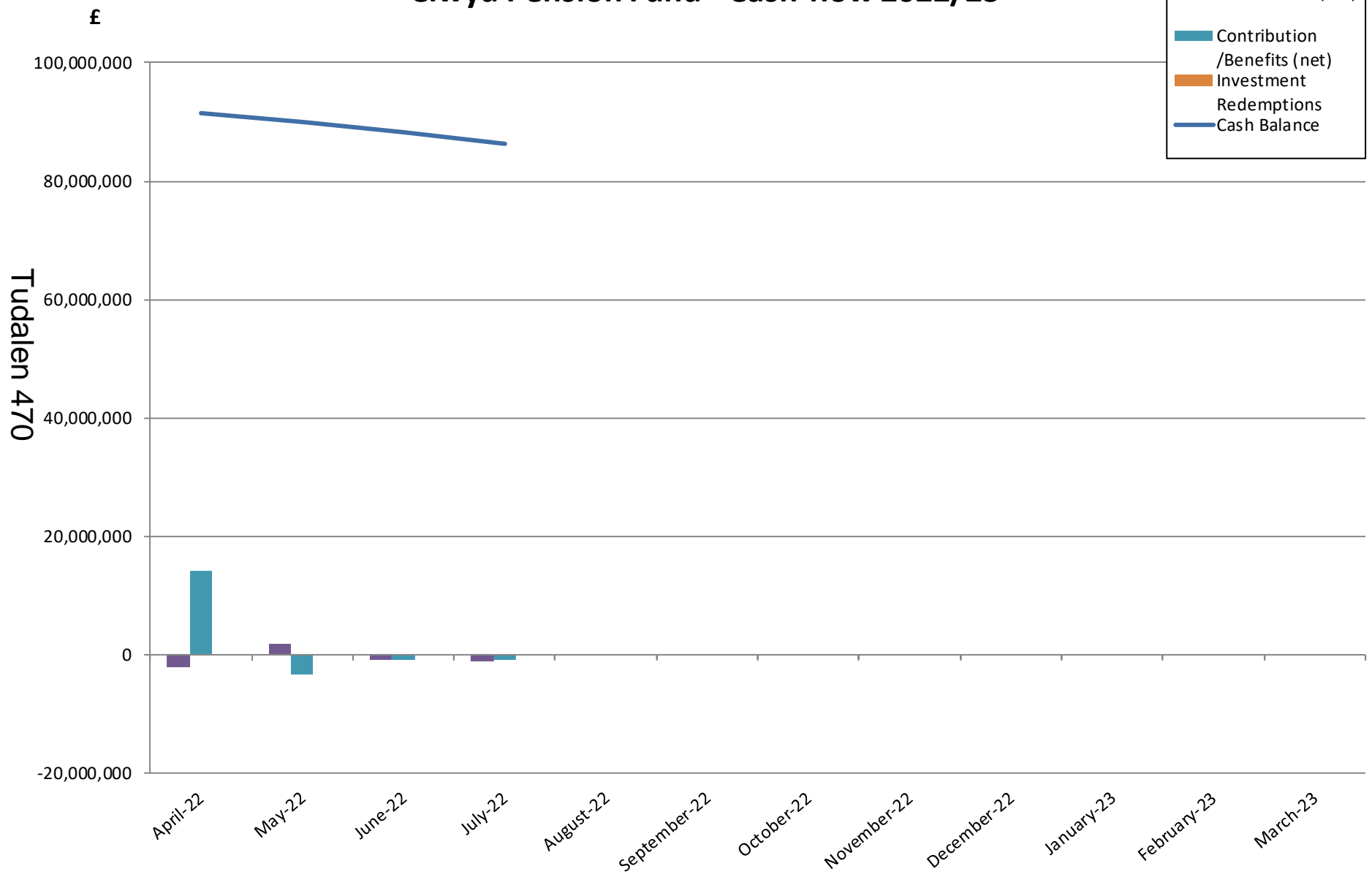
Action Taken

Due diligence continues to be completed by Mercer on several managers across several of the asset classes and recommendations made. A further commitment has been agreed as detailed below and in 1.05 of the main report.

Infrastructure

- Copenhagen Infrastructure Partners Energy Transition Fund I €20m (£17m)

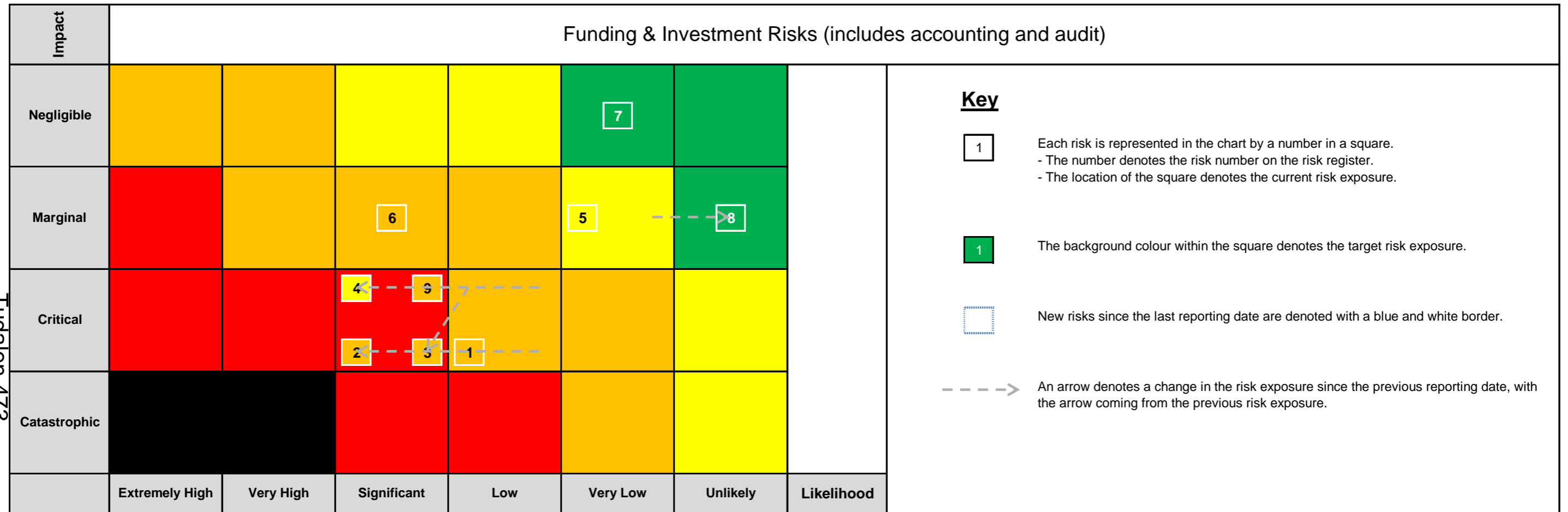
Clwyd Pension Fund - Cash-flow 2022/23



Mae'r dudalen hon yn wag yn bwrpasol

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Tudalen 473



19 August 2022

Clwyd Pension Fund - Control Risk Register
Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (06/2021) and Investment Strategy Statement (03/2022):

- F1 Achieve and maintain assets equal to 100% of liabilities within the 13 year average timeframe whilst remaining within reasonable risk parameters
- F2 Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination.
- F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- I1 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- I2 Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable longterm costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low	Orange	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low	Orange	☹️ Current likelihood 1 too high	07/05/2020	Mar 2023	1. Discussions with Employers to assess affordability as part of Triennial Actuarial Valuation (DF) 2 - Consider as part of Triennial Actuarial Valuation (DF)	Head of CPF	31/10/2022	02/08/2022
2	Funding level reduces, increasing deficit / reducing surplus	Movements in assets and/or liabilities (as described in 3,4,5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Significant	Red	See points within points 3,4 and 5	Marginal	Low	Orange	☹️ Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2023	1 - Equity Protection Strategy to be reviewed regularly (DF) 2 - In conjunction with Risks 3, 4 and 5 - overall return outlook will be considered as part of the investment strategy review (PL) - See points within points 3, 4 and 5	Head of CPF	31/10/2022	02/08/2022
3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented. - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Significant	Red	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 potential Brexit implications. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - Assess impact of Covid-19 on markets and likelihood of achieving required outcomes as part of Interim Valuation review 10 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low	Orange	☹️ Current likelihood 1 too high	02/08/2022	Mar 2023	1 - Consider Inflation resiliency of the investment portfolio as part of the investment strategy review and flight path health check (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Significant	Red	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 - Consideration and understanding of potential Brexit implications. 6 - Consideration and understanding of potential Covid-19 implications. 7 -The level of hedging is being monitored and reported.	Marginal	Very Low	Yellow	☹️ Current impact 1 too high Current likelihood 2 too high	31/03/2016	Mar 2023	1 - Consider as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low	Yellow	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	Yellow	☺️			1 - Consider as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling). 2022 consultation and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7/11	Marginal	Significant	Orange	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 - Fund is committed to responding to 2022 "summer" consultation 5 - Potential legislative agenda for ambitious net zero is an ongoing point of focus 6. Costings performed in relation to the potential impact of McCloud on employers. Employers informed as part of the valuation regarding the potential contribution provision over 2020-23. Major employers agreed to include McCloud. 7. Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Marginal	Low	Orange	☹️ Current likelihood 1 too high	31/03/2016	Mar 2023	1 - McCloud impact will be allowed for as part of the Triennial Actuarial Valuation (DF) 2 - Respond to 2022 consultation when released (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Very Low	Green	1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Cash management policy is documented to help monitor and manage cashflow issues 6 - Employers have been informed to notify Fund of any significant restructuring exercises. 7 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low	Green	☺️			1 - Continue with ongoing communications with employers to ensure they can continue to pay contributions in light of Covid-19 (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Unlikely	Green	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	Green	☺️			1 - Update analysis as part of the Triennial Actuarial Valuation (DF)	Dep. Head of CPF	31/10/2022	02/08/2022
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, I1, I2	Critical	Significant	Red	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 2045 Net Zero ambition for its Investment Strategy.	Critical	Low	Orange	☹️ Current likelihood 1 too high	03/02/2020	Mar 2023	1 - Implement Strategic RI Priorities, including ongoing analysis of the Fund's carbon Footprint. Identify sustainable investment opportunities and improve disclosure and reporting 2 - Work with WPP to ensure the Fund is able to implement effectively via the Pool	Dep. Head of CPF	31/10/2022	02/08/2022

Eitem ar gyfer y Rhaglen 9

Yn rhinwedd paragraff(au) 14 of Part 4 of Schedule 12A
o Ddeddf Llywodraeth Leol 1972.

Dogfen Gyfyngedig - Ni ddylid ei chyhoeddi

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 10



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Asset Pooling
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 8th July 2022 and the draft minutes are appended for information which includes the appointment of the Cllr Ted Palmer as Vice-Chair of the WPP JGC.

The Head and Deputy Head of Clwyd Pension Fund continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the:

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group – this includes the procurement process for private market allocators.

RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
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REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p data-bbox="288 255 962 293">Joint Governance Committee (JGC) Agenda</p> <p data-bbox="288 315 1406 510">There was a WPP JGC on the 8th July 2022. The draft minutes of that meeting are attached (Appendix 1). A number of questions were asked by Cllr Palmer during the meeting and satisfactory answers received. Although these questions were not recorded in the minutes, the webcast recording of the hybrid meeting is available to view on this Host Authority webpage.</p> <p data-bbox="288 533 1129 571">In summary the JGC considered or approved the following:</p> <ul data-bbox="336 593 1422 1868" style="list-style-type: none"><li data-bbox="336 593 1422 712">• Cllr Chris Weaver (Cardiff Pension Fund) was appointed Chair and Cllr Ted Palmer appointed Vice- Chair. Osian Richards the first Scheme Member Representative on the JGC was welcomed to his first meeting.<li data-bbox="336 734 1422 808">• The Annual Return and Audit for 2021/22 including the Statement of Accounts.<li data-bbox="336 831 1422 875">• An Update form the Host Authority.<li data-bbox="336 898 1422 972">• A risk register review which this quarter considered the governance and regulation risks. There were three risk behind ‘target’.<li data-bbox="336 994 1422 1039">• New Whistleblowing Policy and Business Continuity Plan.<li data-bbox="336 1061 1422 1375">• Annual reviews of the Voting Policy, Conflict of Interest Policy, Governance Matrix, Risk Policy and Climate Risk Policy. The Oversight Advisor also provided an update report providing an assessment of the progress the WPP has made during the 12 months to 31 March 2022 in relation to Responsible Investment and Climate Risk, highlighting some of the key areas. It also details some areas where work had not progressed over the year and potential areas for activity/improvement over 2022/23.<li data-bbox="336 1397 1422 1554">• An update from the operator including the assets within the pool which are £16.6bn as at March 2022. The JGC was advised that it would continue to be kept up to date as Dye & Durham proceeds with the acquisition of Link Group.<li data-bbox="336 1576 1422 1868">• An update on investment performance as at 31st March 2022. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund (invested since February 2019), Multi Asset Credit Fund (Invested since August 2020) and the Emerging Market Equity Fund (invested since October 2021). The Global Equities was ahead of benchmark at that date but the other two mandates had fallen marginally behind their relevant benchmarks during the quarter. <p data-bbox="288 1890 1398 1964">Further information on the above is available in the full public agenda which is available here.</p> <p data-bbox="288 1986 1241 2024">There were a further four items for which the public were excluded:</p> <ul data-bbox="336 2047 1422 2089" style="list-style-type: none"><li data-bbox="336 2047 1422 2089">• The Sustainable Global Active Equity sub fund was approved. Approval

	<p>will now be required from the Financial Conduct Authority (FCA) who are heavily scrutinising such funds to ensure there is no 'greenwashing' on the sustainable objectives.</p> <ul style="list-style-type: none"> • The Stock Lending Report was noted. • The quarterly Engagement report was received from Robeco. • A Responsible Investment and Climate Risk report was received for the UK Credit Fund.
1.02	<p>Officer Working Group & Sub Groups</p> <p>The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.</p> <p>The Deputy Head of the Clwyd Pension Fund was part of the group that evaluated and interviewed the candidates for an Allocator for private equity. The appointment should be approved at the 21st September JGC. The WPP private equity funds should therefore be available from December 2022 for commitments from Clwyd Pension Fund.</p> <p>Work continues on the launch of funds for infrastructure and private credit now the appointments of Allocators named below is complete.</p> <ul style="list-style-type: none"> • Closed Ended Infrastructure – GCM Grosvenor • Open ended Infrastructure – IFM; CBRE; Octopus • Private Credit – Russell Investments <p>Initial discussions on the approach on investing in a property fund are due to commence.</p>
1.03	<p>Since the last Committee the RI sub-group have met in July 2022. The next meeting is 19th September. The areas of discussion were :</p> <ul style="list-style-type: none"> • Responsible securities lending. • Voting priorities and engagement themes – implementation framework. • UK Stewardship Code reporting framework. <p>The Host Authority and RI sub group are continuing to work with Robeco, (WPP Voting & Engagement provider) and Northern Trust (Stock Lending provider) on bespoke reports on voting, engagement and stock lending which provide more details on individual sub funds as the Constituent Authorities are not invested in all the sub funds. Initial reports are included with the Funding and Investment Update (agenda item 8) and that report explains ongoing work in this area.</p>

	<p>An update on the work carried out by the RI sub group was also provided at the Officer Working Group in July 2022. The level of resources focused on RI issues for WPP has now been increased to 3 days a week due to the increased workload and requirements in this area.</p> <p>In addition to the items from the last sub group meeting, an update was also provided on the progress with Task Force on Climate - related Financial Disclosures (TCFD) metrics and reporting.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the Clwyd Pension Fund budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None

4.00	RISK MANAGEMENT
4.01	<p>How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in the Fund's strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from DLUHC this year and the implications of that guidance are not yet known.</p> <p>In addition to these points, the likelihood rating of risk F3 on the funding and investment register, which relates to investment targets not being achieved, has been increased from low to significant due to the current level of inflation, which means there is a higher likelihood that short term investments will fail to keep pace. The WPP risk register is included in the JGC agenda. The focus last quarter was on governance and regulation risks. The Head of Clwyd Pension Fund attends the WPP Risk sub group. The key governance risks behind 'target' are :</p> <ul style="list-style-type: none"> • Implementing responsible investment and climate risk to meet the various requirements across the eight Constituent Authorities. • The uncertainty on the change of ownership of Link Fund Solutions.
5.00	APPENDICES
5.01	Appendix 1 – JGC 8 th July 2022 draft minutes.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Earlier Committee reports on the progress of the WPP. <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: Philip.Latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) 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</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) The Committee – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) Inter-Authority Agreement (IAA) – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) Wales Pension Partnership (WPP) – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) The Operator – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link.</p>

Mae'r dudalen hon yn wag yn bwrpasol

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Friday, 8 July 2022

PRESENT: Councillor C. Weaver (Chair)

Councillors:

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

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

The following officers were in attendance:

C. Moore – Joint Committee Section 151 Officer (CCC)
L. Rees-Jones – Joint Committee Monitoring Officer (CCC)
C. Lee – Corporate Director of Resources (CoC)
N. Aurelius – Assistant Chief Executive – Resources (TCC)
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)
D. Edwards – Fund Director (GCC)
B. Davies - Head of Financial Services (FCC)
J. Thomas – Head of Financial Services (PCC)
P. Latham – Head of Clwyd Pension Fund (FCC)
A. Parnell – Treasury & Pensions Investment Manager (CCC)
T. Williams – Senior Financial Services Officer (CCC)
J. Owens – Democratic Services Officer (CCC) [Assisting]
K. Evans – Assistant Democratic Services Officer (CCC) [Note Taker]
M. Evans-Thomas – Principal Democratic Services Officer (CCC) (Assisting)
R. Morris – Principal Democratic Services Officer (CCC) [Webcasting]
S. Rees – Simultaneous Translator (CCC)

Also in attendance to present reports:

A. Johnston – Hymans Robertson
R. Thornton – Link Fund Solutions
J. Zealander - Link Fund Solutions
K. Midl – Link Fund Solutions
N. Round – Northern Trust
A. Knell – Robeco
A. Samson– Robeco
J. Leggate – Russell Investments
W. Pearce – Russell Investments
G. Fitzpatrick – Russell Investments
J. Blewitt – Audit Wales

Also present as observers:

M. Falconer – Pension Manager (CoC)
C. Hurst – Pension Fund Manager (PCC)
D. Jones-Thomas – Investment Manager (GCC)
Y. Keitch – Principal Accountant (RCT)
D. Fielder - Deputy Head of Clwyd Pension Fund (FCC)

G. Watkins – Revenue Services Manager (CoC)

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 10.00 am - 12.59 pm

1. APPOINTMENT OF CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR.

UNANIMOUSLY RESOLVED that Councillor Christopher Weaver be appointed Chair of the Joint Governance Committee for the forthcoming calendar year.

The outgoing Chair was thanked for all his hard work and contribution to the Joint Committee during his period as Chair.

2. APPOINTMENT OF VICE-CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR.

UNANIMOUSLY RESOLVED that Councillor Ted Palmer be appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.

3. APOLOGIES FOR ABSENCE.

There were no apologies for absence.

4. DECLARATIONS OF INTEREST

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

[Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their Authority to a relevant body to declare that interest but remain and participate in the meeting.]

5. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 23RD MARCH, 2022

UNANIMOUSLY RESOLVED that the minutes of the Joint Governance Committee meeting held on 23rd March, 2022 be signed as a correct record.

6. ANNUAL RETURN / AUDIT 2021/22

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

The Joint Committee Section 151 Officer presented the audited Annual Return for 2020/21. The Accounting Statements and Annual Governance Statement sections of the Annual Return had been prepared by the Host Authority whose Internal Audit Section had carried out an Internal Audit Review.

The Annual Return had also been audited by Audit Wales and Mr Jason Blewitt of Audit Wales presented the audit letter to the Joint Committee.

The Host Authority had also prepared a full Statement of Accounts for the Wales Pension Partnership for 2021/22. The Statement was not a statutory requirement and would not be audited. It has been prepared for information purposes only, to support the information included in the Annual Report.

RESOLVED

- 6.1 That the letter from Audit Wales regarding the WPP 2021/22 Annual Return be received;**
- 6.2 That the Audited Annual Return for 2021/22 be approved;**
- 6.3 That the Unaudited full Statement of Accounts for 2021/22 be noted**

7. HOST AUTHORITY UPDATE

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

The Joint Committee received a progress update in relation to the following key areas:

- Governance;
- Ongoing establishment;
- Operator services;
- Communications and reporting;
- Training and meetings; and
- Resources, budget and fees.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

8. RISK REGISTER Q2 2022 REVIEW

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

The Joint Committee considered the Risk Register Q2 2022 Review. During the last quarter, the Officer Working Group had undertaken a review, looking at the second half of the Governance and Regulation section of the Risk Register i.e. Risks G.7 to G.14. The review outcomes of each risk were summarised in an appendix to the report.

It was recommended to amend the G9 responsible party to include the JGC.

UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved subject to inclusion of amendment to G9.

9. NEW POLICIES / PLANS

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

The Joint Committee received a report detailing the :-

- Whistleblowing Policy
- Business Continuity Plan

The Whistleblowing Policy has been developed for the WPP which provides guidance to WPP personnel and providers on how to raise concerns should they suspect malpractice by anyone acting for or on behalf of WPP. This policy will be formally reviewed by the OWG on a triennial basis.

All eight Constituent Authorities and WPP's current external providers have their own whistleblowing policies in place.

The Business Continuity Plan has been developed and outlines how WPP will continue operating during an unplanned disruption in service. This plan will be updated as required.

UNANIMOUSLY RESOLVED that the following, as detailed above, be approved:-

- **the Whistleblowing Policy**
- **the Business Continuity Plan**

10. ANNUAL POLICY REVIEWS

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

The Joint Committee received a report detailing the Annual Policy Reviews undertaken this quarter by the OWG on the following policies:-

- Voting Policy
- Conflicts of Interest Policy
- Risk Policy
- Climate Risk Policy

With regard to the Conflicts of Interest Policy, reference was made to 16.2 and officers were asked if it was really necessary for members to declare an interest in all agenda items and at every meeting and couldn't an annual declaration be made instead. The Joint Committee Monitoring Officer explained that it was a requirement of the Code of Conduct that members declare any conflicts of interest at every meeting.

UNANIMOUSLY RESOLVED that the:

10.1 Voting Policy be approved

10.2 Conflict of Interest Policy be approved

10.3 Risk Policy be approved

10.4 Climate Risk Policy be approved

10.5 the RI and Climate Risk Annual progress update be noted

11. OPERATOR UPDATE

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

The Joint Committee received a presentation on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings;
- Fund Launch Progress;
- Corporate Update and Engagement.

The report also provided an updated on the progress and milestones of the following Sub Funds:-

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

UNANIMOUSLY RESOLVED that the Operator Update be received.

12. PERFORMANCE REPORTS AS AT 31 MARCH 2022

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

The Joint Committee received a presentation on the Performance Reports as at 31 March 2022. It was advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Opportunities – outperformed by 1.12% gross / 0.78% net
- Global Growth – underperformed by 0.86% gross / 1.31% net
- Emerging Markets – underperformed by 0.35% gross / 0.58% net
- UK Opportunities – underperformed by 1.85% gross / 2.27% net
- Global Government Bond – outperformed by 0.84% gross / 0.61% net
- Global Credit – outperformed by 1.36% gross / 1.19% net

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

- 12.1. Global Opportunities Equity Fund;
- 12.2. Global Growth Equity Fund;
- 12.3. Emerging Markets Equity Fund;
- 12.4. UK Opportunities Equity Fund;
- 12.5. Global Government Bond Fund;
- 12.6. Global Credit Fund;
- 12.7. Multi Asset Credit Fund;
- 12.8. Absolute Return Bond Strategy Fund;
- 12.9. UK Credit Fund.

13. EXCLUSION OF THE PUBLIC

RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following item as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

14. SUSTAINABLE ACTIVE EQUITY SUB-FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

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

The Joint Committee considered a report detailing the proposed Sustainable Active Equity Sub-Fund structure for the Wales Pension Partnership.

UNANIMOUSLY RESOLVED that the proposed Sustainable Active Equity sub-fund structure, as detailed in the report, be approved.

15. GLOBAL SECURITIES LENDING RELATIONSHIP AND PERFORMANCE REVIEW

Following the application of the public interest test it was **RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact on the WPP by prejudicing negotiations.

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

The Joint Committee received a report on Global Securities Lending Relationship and Performance Review for 2021/22.

UNANIMOUSLY RESOLVED that the Global Securities Lending Relationship and Performance Review be noted.

16. ROBECO ENGAGEMENT SERVICE - Q1 2022 ENGAGEMENT REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

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

[NOTE: Cllr N. Yeowell had to leave the meeting during this item]

The Joint Committee received the Engagement Report for Q1 of 2022.

UNANIMOUSLY RESOLVED that the Engagement Report for Q1 of 2022 be received.

17. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as

disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

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

[NOTE: At start of this item Cllr Ted Palmer had to leave the meeting]

The Joint Committee received the Q1 2022 Responsible Investment and Climate Risk report in respect of the UK Credit sub fund.

UNANIMOUSLY RESOLVED that the Responsible Investment and Climate Risk Report for Q1 of 2022 be received.

CHAIR

DATE



Eitem ar gyfer y Rhaglen 11



CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Economic and Market update and Performance Monitoring report
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments. The reports cover periods ending 30 June 2022, and are attached as appendices to this report.

Key points to note:

Economy and Markets

- Trends seen in the first quarter continued throughout the second quarter of 2022. Surging commodity prices, to a large degree the result of the ongoing conflict in Ukraine and supply chain disruptions from Chinese lockdowns led to new multi-decade inflation records.
- Central banks in major regions doubled down on monetary tightening, as the US Federal Reserve and Bank of England raised interest rates several times and are expected to continue to tighten policy throughout the rest of 2022. Consequently, this elevated market volatility and a sell-off in virtually all asset classes except commodities (+10.6%).
- Headline inflation continued to rise in the UK with the 12 month CPI rate reaching 9.4% in June.
- Global bond yields continued to rise over the second quarter of 2022.

Performance Monitoring Report

- Over the three months to 30 June 2022, the Fund's total market value decreased by £184.8m to £2,280.2m, allowing for net cashflows of +£7.9m.
- Fund Performance over 3 months, 12 months and 3 years; -7.5%, -1.5% and +5.7% p.a. respectively.
- Fund Performance is ahead of the composite benchmark over the 12 month and 3 year period. However, Fund performance is behind of the Strategic target and Actuarial targets over the 12 month and 3 year period.
- All asset classes are broadly in line with strategic target weight.

Performance of the Fund is reviewed monthly by the Fund's Officers and advisers.

RECOMMENDATIONS

1.00	That the performance of the Fund over periods to the end of June 2022 are noted along with the Economic and Market update which effectively sets the scene.
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REPORT DETAILS

2.00	INVESTMENT AND FUNDING RELATED MATTERS
2.01	<p>Economic and Market Update The economic and market update for the quarter from the Fund's Investment Consultant is attached at Appendix 1. The report contains the following key sections:</p> <ul style="list-style-type: none">• Economic and Market Background – an overview of markets in the quarter, including commentary on key economic indicators• Equity Market Review – information on the performance of equity markets during the quarter and key drivers of markets• Bond Market (Fixed Income) Review – provides an update on bond yield movements and interest rates for the period• Currencies, Commodities and Alternatives Review – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
2.02	<p>Trends seen in the first quarter continued throughout the second quarter of 2022. Surging commodity prices, to a large degree the result of the ongoing conflict in Ukraine and supply chain disruptions from Chinese lockdowns led to new multi-decade inflation records.</p> <p>Inflation continued to rise, as the 12 month CPI rate for the UK in June reached 9.4%, ongoing energy price increases further exacerbated the inflation outlook.</p> <p>The Bank of England and the US Federal Reserve increased interest rates twice over the second quarter in an attempt to bring inflation under control. Further increases are expected for the rest of the year, some of which we have already witnessed as we draft this report.</p> <p>Equity markets were significantly weaker across the globe as financial conditions tightened, input prices rose and recessionary risk increased.</p> <p>Emerging markets were impacted by the supply chain disruptions and fears of global slowdown that could have a negative impact on exports.</p> <p>UK, Global and Emerging Market Equities all generated negative returns for the quarter, returning -5.0%, -13.3% and -7.3%, respectively.</p> <p>Commodity markets were one of the few major asset classes with positive performance for the quarter (+10.6). There was material divergence in the sector, however, positive performance was exclusively led by energy, which faced material tailwinds from actual and anticipated energy supply disruptions as a result of sanctions against Russia.</p> <p>Sterling depreciated against the US Dollar and Euro, but appreciated against the Yen.</p>

	A verbal update will be provided to Committee on market movements since the writing of this report.																								
2.03	<p>Performance Monitoring report</p> <p>Over the 3 months to 30 June 2022, the Fund's total market value decreased by £184.8m to £2,280.2m, after allowing for net cashflows.</p> <p>The Total Fund has decreased in value by £46.2m in 12 months to 30 June 2022.</p>																								
2.04	<p>It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets:</p> <ul style="list-style-type: none"> • The first of these is the assumed return that the Actuary includes within the triennial valuation - Actuarial Target. This is the most crucial target as actual performance needs to be ahead of this to ensure that the Fund maintains, or improves its funding level. This currently set at CPI (Consumer Price Index) +1.75% p.a. for past service liabilities and CPI + 2.25% for future service liabilities. • The second performance measure is the overall assessment of potential return when the Fund reviews and sets its investment strategy – Strategic Target. (This is currently CPI +3.4% p.a.) • The final target is the composite benchmark – Total Benchmark. This is a composite of each of the individual manager benchmarks, weighted by strategic target allocation. For most investment managers the benchmark does not include an expectation of outperformance, with the exception of WPP Global Opportunities Equity Fund and WPP Emerging Market Equity Fund. <p>The performance against all benchmarks is shown on Page 8 of the report, and repeated below:</p> <table border="1"> <thead> <tr> <th>Total</th> <th>Quarter (%)</th> <th>1 Year (%)</th> <th>3 Years (%)</th> </tr> </thead> <tbody> <tr> <td>Total Scheme</td> <td>-7.5</td> <td>-1.5</td> <td>5.7</td> </tr> <tr> <td>Total Benchmark</td> <td>-6.4</td> <td>-2.2</td> <td>5.4</td> </tr> <tr> <td>Strategic Target (CPI +3.4% p.a.)</td> <td>4.9</td> <td>13.1</td> <td>7.6</td> </tr> <tr> <td>Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)</td> <td>4.5</td> <td>11.3</td> <td>5.9</td> </tr> <tr> <td>Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)</td> <td>4.6</td> <td>11.9</td> <td>6.4</td> </tr> </tbody> </table> <p>Strategic and Actuarial targets are derived from realised CPI over the corresponding periods. Prior to Q2 2022, CPI was based on Mercer's Market Forecasting Group assumptions.</p> <p>The table shows the Fund outperformed its total benchmark over the 1 and three year periods. The Fund underperformed against the strategic and actuarial targets</p>	Total	Quarter (%)	1 Year (%)	3 Years (%)	Total Scheme	-7.5	-1.5	5.7	Total Benchmark	-6.4	-2.2	5.4	Strategic Target (CPI +3.4% p.a.)	4.9	13.1	7.6	Actuarial Target – Past Service Liabilities (CPI +1.75% p.a.)	4.5	11.3	5.9	Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	4.6	11.9	6.4
Total	Quarter (%)	1 Year (%)	3 Years (%)																						
Total Scheme	-7.5	-1.5	5.7																						
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Actuarial Target – Future Service Liabilities (CPI +2.25% p.a.)	4.6	11.9	6.4																						
2.05	The strongest absolute returns over the quarter came from Private Markets, returning +7.7%. Within Private Markets the strongest returns were seen in Timber/ Agriculture, Local/ Impact and Private Credit with																								

	<p>returns of +15.7%, +12.3% and +11.5%, respectively.</p> <p>Hedge Funds also generated positive returns over the quarter, returning +0.3%.</p> <p>In the 12 months to 30 June 2022, the best returns came from Private Markets, Total Tactical Allocation (Best Ideas) Portfolio, and Hedge Funds. Private Markets returned +26.2%, whilst the Best Ideas Portfolio and Hedge Funds returned +9.0% and +4.3%, respectively.</p> <p>The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers, and at this stage there are no concerns that need addressing, however all positions are being monitored closely. The strategy will be reviewed in the coming year following the results from the triennial actuarial valuation as at 31 March 2022.</p>
2.06	Private Markets are well within the agreed strategic tolerance. Within Private Markets, allocations to Infrastructure and Local/Impact remain slightly underweight; allocation to Property is marginally above weight.

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

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	None directly as a result of this report.

5.00	RISK MANAGEMENT
5.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.</p>
5.02	<p>This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
5.03	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to

	increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound.
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6.00	APPENDICES
6.01	Appendix 1 - Economic and Market Update – 30 June 2022 Appendix 2 – Performance Monitoring Report – 30 June 2022

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	Economic and Market Update and Investment Strategy and Manager Summary 30 June 2022. Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<p>A list of commonly used terms are as follows:</p> <p>(a) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) Annualised – Figures expressed as applying to 1 year.</p> <p>(c) Duration – The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cash flows.</p> <p>(f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</p> <p>(g) Three-Year Return – The total return on the fund over a three year period expressed in percent per annum.</p> <p>(h) Time-Weighted Rate of Return – The rate of return on an investment removing the effect of the amount and timing of cash flows.</p>

(i) **Yield (Gross Redemption Yield)** – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.

A comprehensive list of investment terms can be found via the following link:

<https://www.schroders.com/en/uk/adviser/tools/glossary/>

Clwyd Pension Fund

Economic and Market Update – Q2 2022

Tudalen 545

Monthly Capital Market Monitor

June 2022

Equities closed out their worst first half year on record over recession concerns

Equity markets sold off heavily in June after US inflation came in above expectations, which prompted the Federal Reserve to hike its overnight rate by 75 basis points. Economic data hinted at a slowdown and led to increased recession fears. The equity sell-off was broad based with growth outperforming value. The only equity market with significant positive returns was China where a potential end of lockdowns and supportive monetary policy helped sentiment.

Bond returns were also negative as central bank tightening and high inflation pushed up rates at the longer end of the curve. Credit spreads also rose in this risk-off environment which led to poor performance for growth fixed income. In sterling terms, broader government and credit markets ended the month with low positive returns as sterling weakened against US dollar. Gold returns were negative for the month in USD terms. Rising interest rates hurt gold as it increased the opportunity costs of holding it. For unhedged sterling investors, gold returns were positive due to currency effects.

Commodities also sold off, as investors positioned for the possibility of commodity demand slowing if a recession were to occur. Crude oil finished the month at \$105.76, down almost 8% (USD return) in June. REITs declined along with the equity market as the US housing market continued to show signs of cooling.

US inflation came in above expectations, influencing the Federal Reserve's decision to raise rates by 75 basis points. Inflation for other regions such as the UK, Eurozone and Australia was also elevated and it exceeded 2% in Japan. Inflation expectations remained stable in the US and fell substantially in the UK as central banks continued to hike aggressively and expressed their commitment to tackling inflation, even if tightening increases the risk of a recession.

The conflict in Ukraine raged on as Russia expanded its territorial gains in eastern Ukraine. Restrictions on Russian energy imports to Europe were tightened, exacerbating the energy shortfalls there and leading to fears of rationing later in the year.

Sterling's performance was mixed over the month; it weakened versus the US dollar, the Euro and the Swiss Franc. On the other hand, it strengthened versus the Yen, Australian dollar and numerous EM currencies. Monetary policy divergences and safe haven flows drove price action over the month. Bitcoin fell by 40% (USD return) during the month and closed at a two-year low.

At a Glance Market Returns in % as of end of June 2022 in GBP

Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	-5.0	-11.0	-4.2
S&P 500	-4.8	-10.7	1.7
FTSE All Share	-6.0	-4.6	1.6
MSCI World ex-UK	-5.2	-11.6	-2.6
MSCI EM	-3.1	-8.1	-15.0
Bloomberg Barclays Global Aggregate	0.4	-4.0	-3.6
ICE Bank of America Sterling Non-Gilt index	-2.7	-12.4	-12.9
Bloomberg Barclays High Yield	-3.0	-4.3	-1.0
FTSE WGBI	0.5	-5.0	-5.3
FTA UK Over 15 year gilts	-3.4	-24.8	-22.9
FTA UK 5+ year ILG's	-5.2	-25.0	-19.1
NAREIT Global REITs	-5.1	-11.2	-0.7
Bloomberg Commodity TR	-7.4	32.1	41.4

Source: Refinitiv; as of 30/06/22

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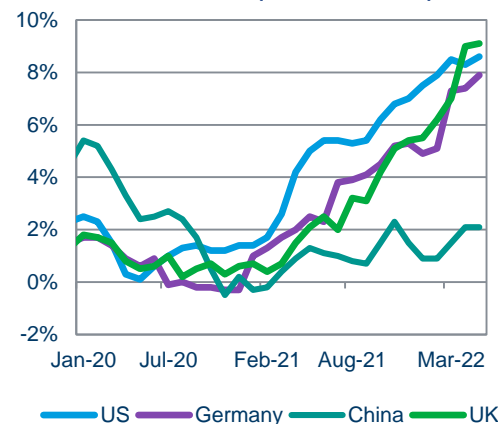
insightcommunity.mercer.com

Market drivers

Risk assets sell off amid persistent inflation and steep rate hikes

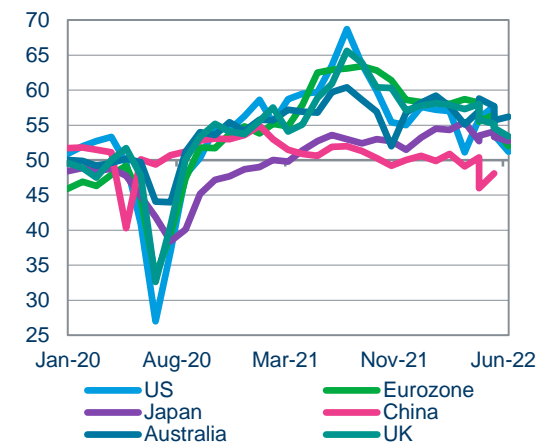
- Risk assets, including commodities, sold off in June as investors became more pessimistic on the state of the economy. Defensive assets also declined as duration continued to suffer amid accelerating monetary tightening.
- Economic headlines hinted at the global economy decelerating. Forward-looking purchasing manager indices fell to multi-month lows and moved closer to contraction territory. Retail sales fell both in the US and UK. Labour markets remained generally strong but UK unemployment edged up slightly for the first time since early 2020.
- Inflation readings offered more unwelcome surprises. US CPI at 8.6% for May raised doubts as to whether inflation is peaking. The UK saw an even higher reading at 9.1%, and Australia also faced a major surprise with inflation at 5.1%, 50 basis points higher than expected. Even in the Eurozone, inflation reached 8.1%, the highest since the Euro's inception. Inflation in Japan stayed at 2.5%, still high by historical standards¹.
- Unsurprisingly, central banks continued to tighten monetary policy aggressively. The Federal Reserve hiked by 75 basis points, the largest increase since 1994. Markets are now pricing short-dated rates to reach 3.3% by the end of 2022. The Bank of England increased rates for the fifth consecutive time by another 25 basis points and the Swiss central bank surprised markets with a 50 basis point hike, their first since 2007. The European Central Bank announced a rate hike for July. Central Banks in Brazil and India also increased rates. Only Japan and China remained dovish with the former committing to maintain the 10-year rate at 25 basis points and the latter leaving short-dated rates unchanged.
- The conflict in Ukraine continued, which led to further restrictions on Russian energy in Europe, worsening the energy situation there and raising fears of shortages and rationing later in the year. India on the other hand increased purchases of Russian oil at a discount and China committed to strengthening its ties with Russia. Western politics remained as divided as ever with the UK Prime Minister surviving a no-confidence vote and France's President losing his majority in Parliament.
- One of the few green shoots in June was a loosening of lockdowns in China and a rapid recovery in its exports, leading to hopes that the world's second largest economy is starting to recover.

Consumer Price Index (Year-over-Year)



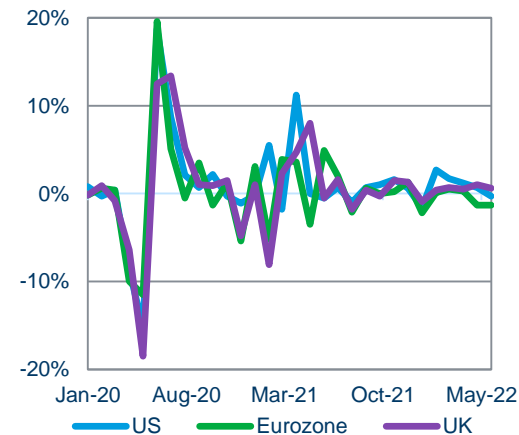
Source: Bloomberg; as of 31/05/22

Market Manufacturing PMIs



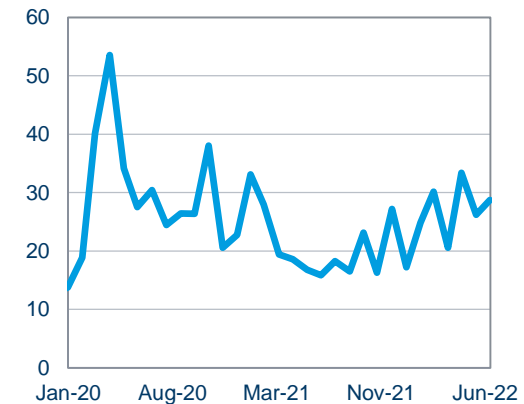
Source: Bloomberg; as of 30/06/22

Retail Sales (MoM, Seasonally Adjusted)



Source: Bloomberg; as of 31/05/22

CBOE Volatility Index (VIX Index)



Source: Bloomberg; as of 30/06/22

Past performance is no guarantee of future results
Returns in GBP unless stated otherwise.

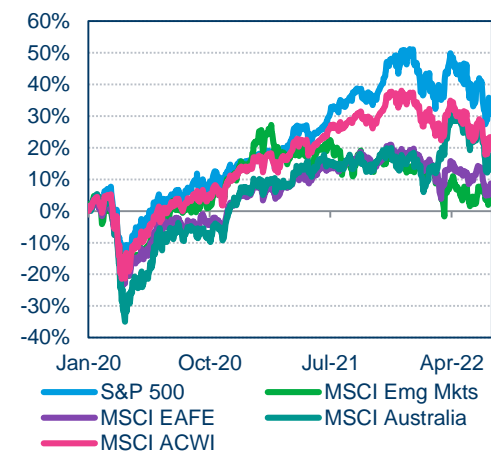
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Equities

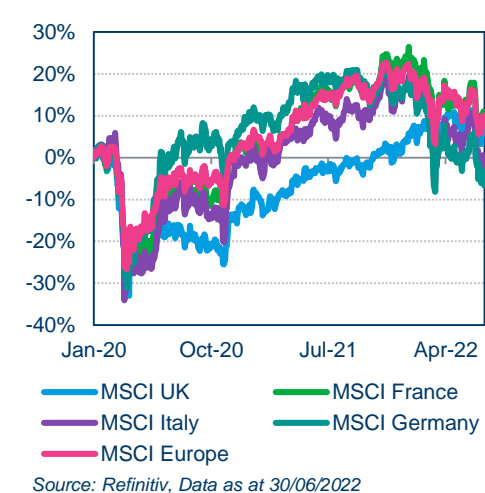
Broad equity market sell-off, ending the month in bear market territory

- Global equity markets sold off over the month as investors started to price in an increased likelihood of recession amid persistent inflation and aggressive financial tightening that started to take its toll on the real economy. Global equities ended the month with a decline of 5% and are now down 11% year-to-date.
- The S&P 500 had back-to-back weekly declines of 5% (USD terms) with volatility, as measured by the VIX index, at elevated levels throughout the month.
- The growth hit from financial tightening and inflationary cost pressure is starting to affect corporate earnings. Factset expects the smallest earnings expansion since the end of 2020 after expected earnings growth for 2022Q2 was revised downwards over the quarter. The downward revision was driven by consumer discretionary and consumer services.
- The sell-off in June was broad based with both growth and value stocks posting steep declines. Unlike in previous months, energy also sold off, leaving no sector with positive performance. Healthcare and consumer staples held up the best among sectors, while energy and materials posted the largest declines. Year-to-date, the energy remains up 44%, while all other sectors have declined.
- The US outperformed most overseas developed markets this month except Japan. Emerging markets as a whole outperformed the US and other developed markets. China stood out as the only major equity market with strong positive returns. This was driven by optimism over China's potential recovery from its slowdown induced by last year's regulatory campaign and lockdowns in major cities this spring. Meanwhile monetary policy in China remains very accommodative. Other large emerging markets did poorly. Latin America declined by double digits, partly because of poor performance for commodity equities this month. Idiosyncratic events such as a left-wing candidate winning Colombia's presidential election and unrest in Ecuador were additional headwinds.

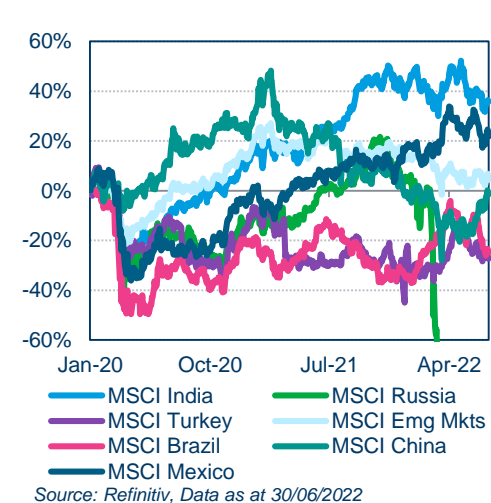
Global Equity Performance (GBP)



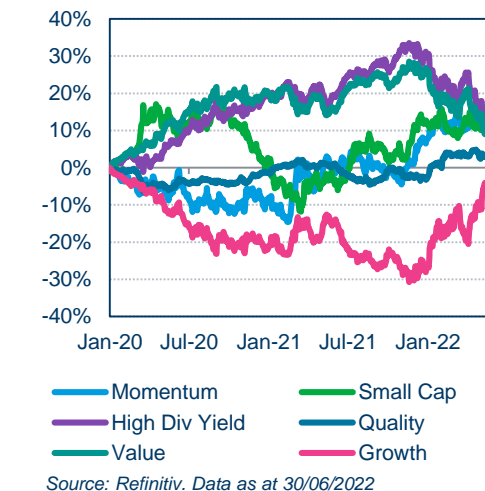
European Equity Performance (GBP)



Emerging Market Equity Performance (GBP)



Individual Factor Returns versus MSCI USA (GBP)



Past performance is no guarantee of future results
Returns in GBP unless stated otherwise.

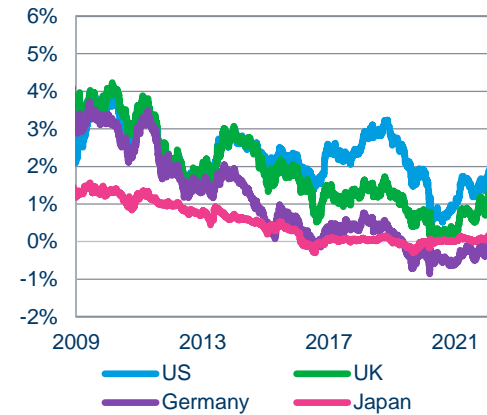
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Fixed income

Yields rise modestly; inflation expectations decline slightly; Russia defaults on foreign currency debt

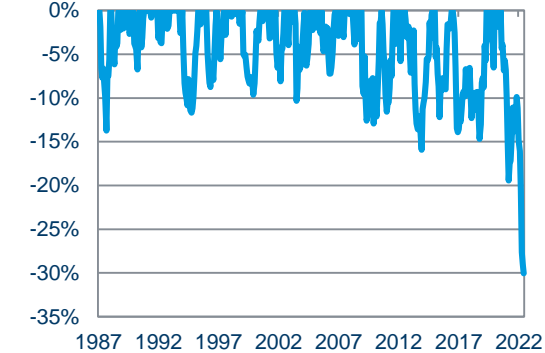
- Major developed bond yields ended the month slightly higher after spiking mid-month. Persistent high inflation and the fast pace of central bank tightening put upwards pressure on yields, although this moderated in the second half of the month amid fears of an economic slowdown. Ten-year yields rose between 10 and 20 basis points for the US, UK, Eurozone and Australia. The Japanese 10-year yield stayed flat after the Bank of Japan reiterated its commitment to cap it at 0.25%.
- In the UK, the 10-year yield rose to 2.6% intra-month before ending the month at 2.2%. There were similar moves across the medium to long end of the curve. The shorter end of the yield curve rose more significantly with the 2-year yield finishing up 25 basis points at 1.83%.
- Inflation expectations for the UK as measured by the 10-year inflation break-even rate declined by 0.52% to 3.7% over the month as the Bank of England continued to tighten and the chances of a major economic slowdown that would dampen demand are increasing. The market consensus remains that inflation will stabilise in the medium term but will likely stay above pre-2020 levels for the foreseeable future.
- Spreads for investment grade on the other hand rose by 25 basis points.
- Emerging market hard currency debt fell by over 6% (USD) during the month. Russia defaulted on its foreign currency debt as sanctions made it close to impossible for Russia to make dollar payments to foreign creditors.

10-Year Government Bond Yields



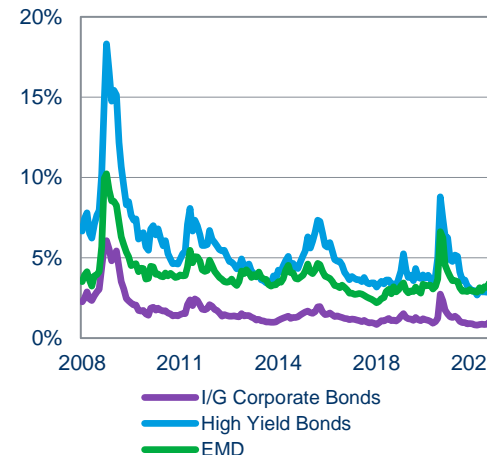
Source: Bloomberg; as of 30/06/22

Bloomberg US Long Treasury Index Drawdowns (USD)



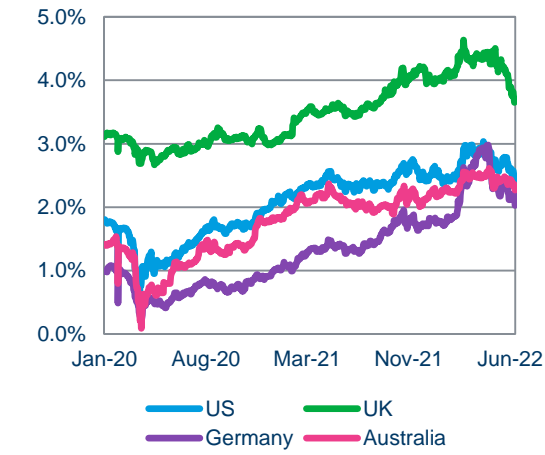
Source: Bloomberg; as of 30/06/22

Credit Spreads



Source: Bloomberg; as of 30/06/22

10-Year Inflation Breakeven Rates



Source: Bloomberg; as of 30/06/22

Past performance is no guarantee of future results
Returns in GBP unless stated otherwise.

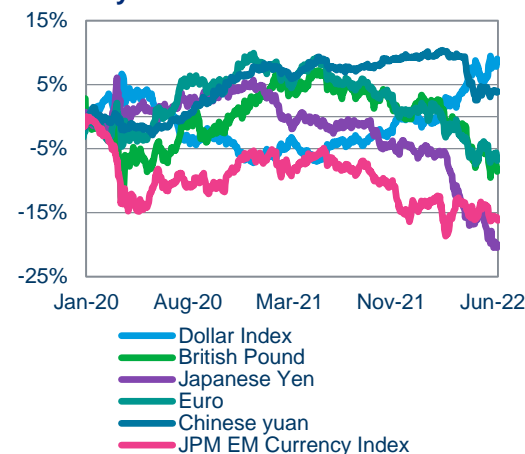
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Currencies, commodities and alternatives

US dollar strengthens, crypto collapses, commodities down for the first month this year

- Sterling's performance was mixed over the month; it weakened versus the US dollar, the Euro and the Swiss Franc. On the other hand, it strengthened versus the Yen, Australian dollar and numerous EM currencies. Monetary policy divergences and safe haven flows drove price action over the month
- The cryptocurrency collapse continued over the month. Bitcoin fell by over 40% (USD) and ended the month below \$20,000, one third of its peak in late 2021. A large crypto lending network had to halt withdrawals amid a liquidity crunch.
- Gold was up by 1.5% for unhedged sterling investors even if it was down by 2.2% in USD terms. This was the third consecutive monthly decline in USD terms. Gold is a safe haven that tends to do well during market sell-offs, but it also has a high implied real duration which makes it vulnerable in an environment of rising real interest rates.
- Commodities, as measured by the Bloomberg Commodity index were down by over 7% in June, the first monthly decline in 2022. Wheat prices fell in June and oil was down by 4% in USD terms. There were no signs of the supply situation easing, but investors may start pricing in the increasing risk of a recession that would dampen commodity demand. In spite of lower oil prices for this month, US gas prices continued to move higher.
- Global REITs declined by over 5%, during the month. As publicly traded stocks, REITs sold off in line with equity markets. The US housing market continues to show signs of slowdown. Housing sales declined for the fourth month in a row and the 30-year mortgage rate rose to 5.7%. This has not translated into lower housing prices yet, the average price of a family home rose above \$400k.
- Hedge funds, as measured by the HFRX Equal Weighted Strategies index, declined 1.8% over the month, outperforming the -2.3% return for a 60% MSCI ACWI / 40% Bloomberg Aggregate portfolio. Equity, event-driven and relative value strategies were down over the month but macro strategies had positive returns.

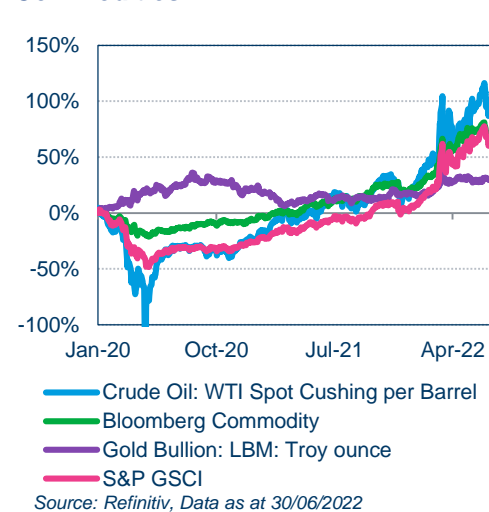
Currency Returns



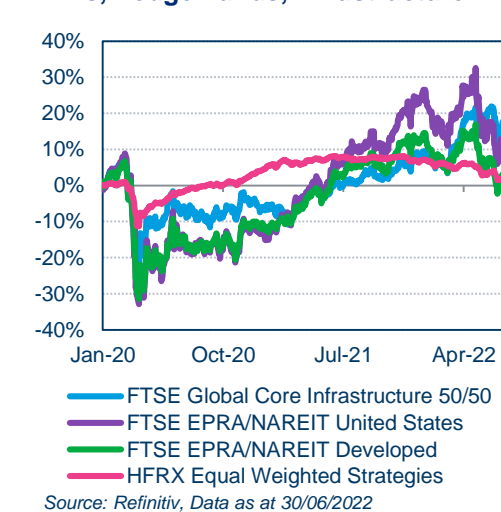
Gold & Bitcoin



Commodities



REITs, Hedge Funds, Infrastructure



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Returns in GBP unless stated otherwise.

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Valuations and yields

Ending 30 June 2022

Valuations

FTSE ALL-Share	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Index Level	7981.3	8404.7	8363.9	8027.1
P/E Ratio (Trailing)	16.6	14.7	21.0	23.9
CAPE Ratio	18.5	19.9	19.6	19.1
Dividend Yield	4.1	3.5	3.6	3.7
P/B	1.7	1.8	1.8	1.8
P/CF	5.8	6.4	7.5	7.6
MSCI World ex-UK	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Index Level	7644.0	9147.4	9674.6	8969.6
P/E Ratio (Trailing)	16.6	20.5	23.5	23.6
CAPE Ratio	24.9	29.1	33.4	31.3
Dividend Yield	2.2	1.8	1.6	1.7
P/B	2.6	3.2	3.4	3.2
P/CF	11.0	14.1	14.4	13.7
MSCI EM	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Index Level	501.1	565.8	608.3	616.4
P/E Ratio (Trailing)	12.5	14.0	21.7	15.1
CAPE Ratio	12.5	13.7	14.5	15.8
Dividend Yield	3.1	2.5	2.0	2.2
P/B	1.7	1.8	2.0	1.9
P/CF	7.6	8.5	8.3	9.4

Source: Bloomberg, Refinitiv

Yields

Global Bonds	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Germany – 10Y	1.34	0.55	-0.18	-0.20
France - 10Y	1.92	0.98	0.20	0.16
US - 10Y	3.01	2.34	1.51	1.49
Switzerland – 10Y	1.07	0.60	-0.14	-0.16
Italy – 10Y	3.26	2.04	1.17	0.86
Spain 10Y	2.42	1.44	0.57	0.46
Japan – 10Y	0.23	0.22	0.07	0.07
Euro Corporate	3.29	1.55	0.52	0.35
Euro High Yield	7.81	5.18	3.55	3.16
EMD (\$)	8.56	6.42	5.27	5.11
EMD (LCL)	7.30	6.48	5.87	5.49
US Corporate	4.70	3.60	2.33	2.13
US Corporate High Yield	8.80	6.01	4.21	4.04
US Bonds	30-06-2022	31-03-2022	31-12-2021	30-09-2021
SONIA	1.19	0.69	0.19	0.05
10 year gilt yield	2.21	1.59	0.97	1.02
30 year gilt yield	2.56	1.75	1.13	1.36
10 year index linked gilt yield	-1.40	-2.74	-2.95	-2.77
30 year index linked gilt yield	-0.68	-1.92	-2.27	-2.10
AA corporate bond yield	3.40	2.38	1.46	1.29
A corporate bond yield	3.70	2.61	1.68	1.56
BBB corporate bond yield	4.47	3.25	2.16	1.99

Source: Bloomberg, Refinitiv

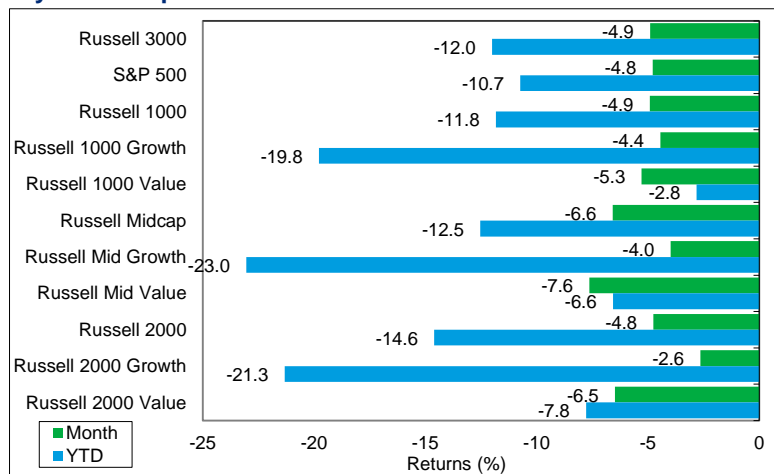
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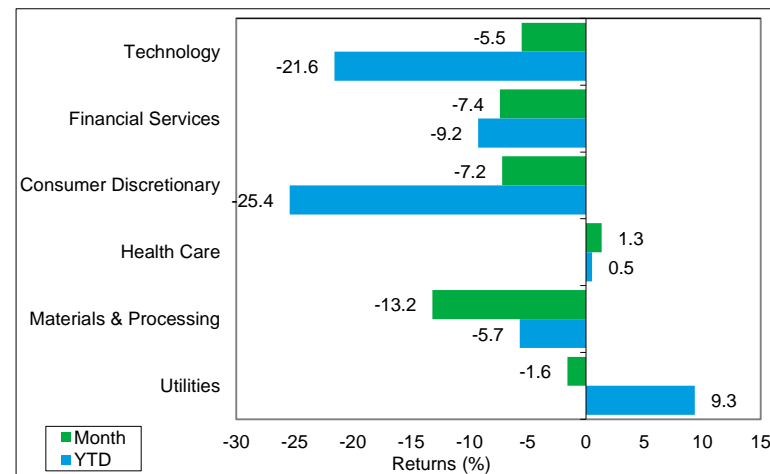
Performance Summary

US Equity ending 30 June 2022

Style and Capitalisation Market Performance



Russell 1000 Sector Performance



Tudalen 2022

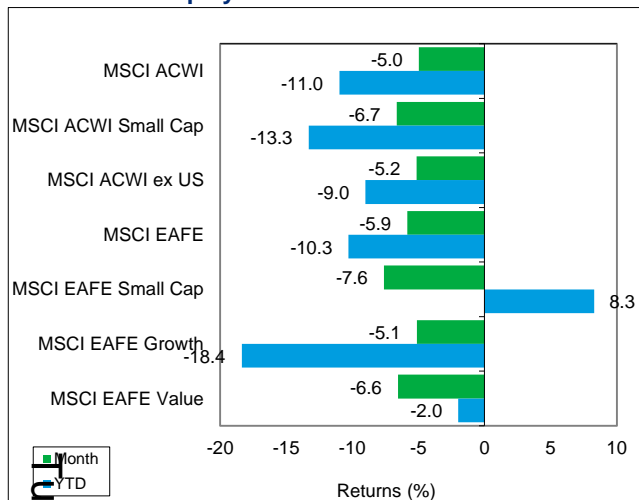
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017
S&P 500	-4.8	-9.0	-10.7	1.7	13.2	12.3	12.8	15.3	15.9	10.3	29.9	14.7	26.4	1.6	11.3
Russell 3000	-4.9	-9.7	-12.0	-2.0	12.4	11.5	12.1	14.6	15.5	10.4	26.8	17.2	26.0	0.6	10.6
Russell 3000 Growth	-4.3	-14.2	-19.9	-8.7	8.0	13.6	15.2	17.1	17.4	11.5	27.0	34.0	30.6	4.0	18.4
Russell 3000 Value	-5.4	-5.0	-3.1	5.3	17.0	8.5	8.5	11.6	13.3	9.1	26.5	-0.3	21.4	-2.9	3.4
Russell 1000	-4.9	-9.7	-11.8	-1.1	12.5	11.9	12.5	14.9	15.7	10.5	27.6	17.2	26.4	1.1	11.2
Russell 1000 Growth	-4.4	-14.3	-19.8	-7.6	8.5	14.4	15.8	17.7	17.8	11.6	28.8	34.2	31.1	4.6	18.9
Russell 1000 Value	-5.3	-4.8	-2.8	6.0	16.7	8.6	8.6	11.7	13.4	9.1	26.3	-0.4	21.7	-2.6	3.8
Russell Midcap	-6.6	-9.9	-12.5	-5.9	12.3	8.3	9.4	12.1	14.2	11.1	23.7	13.5	25.5	-3.4	8.3
Russell Mid Growth	-4.0	-14.4	-23.0	-19.9	1.5	5.9	10.4	12.4	14.4	11.2	13.8	31.4	30.2	1.2	14.4
Russell Mid Value	-7.6	-7.5	-6.6	2.4	18.4	8.4	7.7	11.2	13.5	10.6	29.5	1.7	22.2	-6.8	3.5
Russell 2500	-6.1	-10.0	-12.8	-10.1	12.6	7.6	8.5	11.2	13.3	10.5	19.3	16.3	22.8	-4.4	6.7
Russell 2500 Growth	-3.4	-12.8	-21.3	-22.4	1.9	5.3	9.0	11.1	13.8	10.9	6.0	36.1	27.5	-1.7	13.7
Russell 2500 Value	-7.6	-8.3	-7.1	-1.3	20.1	7.9	7.0	10.5	12.4	9.8	29.0	1.6	18.8	-6.9	0.8
Russell 2000	-4.8	-10.2	-14.6	-14.9	11.0	5.9	6.6	9.9	12.2	9.4	15.9	16.3	20.7	-5.5	4.7
Russell 2000 Growth	-2.6	-12.5	-21.3	-24.3	1.2	3.0	6.2	8.9	12.1	9.6	3.8	30.5	23.5	-3.7	11.6
Russell 2000 Value	-6.5	-8.1	-7.8	-4.8	21.5	7.9	6.3	10.4	11.9	9.0	29.5	1.4	17.7	-7.4	-1.5
Russell 1000 Technology	-5.5	-15.5	-21.6	-6.7	11.5	20.7	21.0	23.4	21.0	13.3	38.4	42.2	41.5	4.9	26.4
Russell 1000 Financial Services	-7.4	-10.2	-9.2	0.4	19.7	11.0	11.8	15.0	16.5	8.5	36.3	3.9	28.6	-2.4	11.0
Russell 1000 Consumer Discretionary	-7.2	-19.8	-25.4	-17.7	4.2	7.5	11.5	14.0	16.3	11.3	18.4	38.5	24.2	6.1	13.4
Russell 1000 Health Care	1.3	1.4	0.5	13.5	14.3	14.7	13.6	14.0	18.1	11.4	24.4	13.4	16.8	13.2	11.5
Russell 1000 Energy	-13.0	2.3	44.1	55.0	45.8	11.8	8.2	6.9	6.5	8.4	52.7	-33.0	6.5	-13.5	-9.7
Russell 1000 Producer Durables	-5.5	-9.0	-12.2	-9.4	10.0	4.6	7.1	12.0	13.8	9.1	17.2	8.4	25.7	-6.9	12.1
Russell 1000 Materials & Processing	-13.2	-13.9	-5.7	3.7	17.6	11.6	9.8	13.0	13.1	7.2	26.5	13.9	21.6	-11.1	13.1
Russell 1000 Consumer Staples	0.1	5.9	9.2	23.4	16.6	12.9	8.7	12.2	13.2	9.2	19.3	3.8	19.3	-4.1	0.3
Russell 1000 Utilities	-1.6	2.7	9.3	27.8	15.8	10.5	10.7	14.1	12.1	7.6	19.8	-3.2	21.3	6.1	-3.0

Data Source: Thomson Reuters Datastream

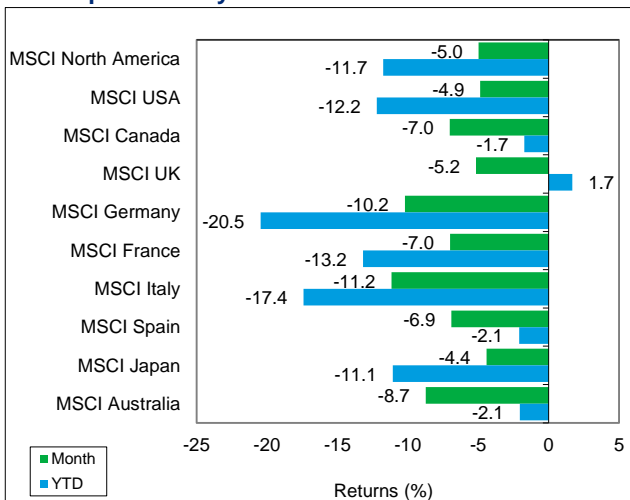
Performance Summary

International Equity ending 30 June 2022

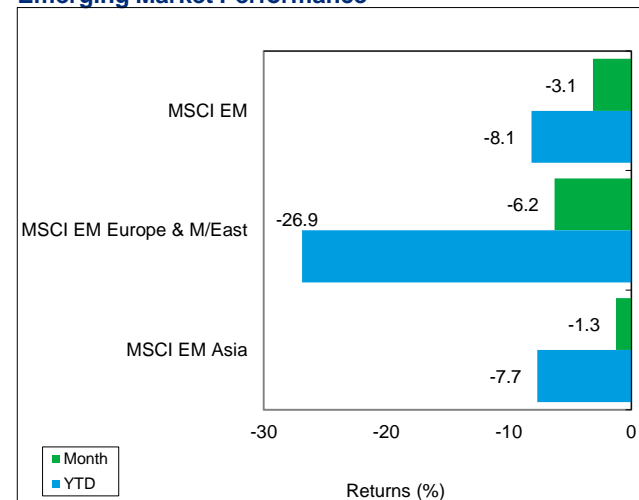
International Equity Performance



Developed Country Performance



Emerging Market Performance



Index	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017
MSCI ACWI	-5.0	-8.6	-11.0	-4.2	9.3	7.9	8.5	11.0	11.6	8.5	19.6	12.7	21.7	-3.8	13.2
MSCI ACWI IMI	-5.1	-8.6	-11.0	-4.6	9.9	8.1	8.7	11.4	12.1	9.2	19.8	13.2	22.1	-4.0	13.8
MSCI ACWI Small Cap	-6.7	-10.1	-13.3	-11.1	10.7	6.0	6.1	9.3	11.1	10.1	17.2	12.7	19.8	-9.1	13.1
MSCI ACWI ex US	-5.2	-6.5	-9.0	-8.3	5.5	2.9	3.9	6.8	7.5	7.0	8.8	7.2	16.8	-8.9	16.2
MSCI EAFE	-5.9	-7.3	-10.3	-6.5	5.2	2.7	3.6	6.6	8.1	6.5	12.3	4.5	17.3	-8.4	14.2
MSCI EAFE Growth	-5.1	-9.9	-18.4	-13.3	0.8	2.9	4.9	7.8	9.0	6.8	12.3	14.6	23.0	-7.4	17.7
MSCI EAFE Value	-6.6	-5.0	-2.0	0.2	9.4	1.8	1.9	5.0	6.9	6.0	11.9	-5.6	11.6	-9.5	10.9
EM	-3.1	-4.0	-8.1	-15.0	3.5	2.1	3.6	6.7	5.7	9.7	-1.6	14.7	13.8	-9.3	25.4
North America	-5.0	-9.8	-11.7	-0.9	12.2	11.5	11.9	14.2	14.7	9.7	27.6	16.2	25.7	0.1	10.4
Europe	-6.5	-7.3	-11.7	-6.3	6.4	2.8	3.5	6.5	8.2	6.5	17.4	2.1	19.0	-9.6	14.6
EM Europe & M/East	-6.2	-7.2	-26.9	-22.0	-2.3	-6.5	-0.1	2.8	0.1	6.1	25.1	-10.4	14.6	-2.2	5.8
EM Asia	-1.3	-1.7	-7.7	-15.7	3.1	4.7	4.8	8.0	8.3	9.8	-4.2	24.4	14.6	-10.2	30.5
Latin America	-13.9	-15.3	10.9	-4.5	11.2	-4.9	0.8	4.2	0.4	9.8	-7.2	-16.5	12.9	-0.8	13.0
USA	-4.9	-9.9	-12.2	-1.2	12.0	11.6	12.1	14.5	15.2	9.7	27.6	17.0	25.8	0.9	10.7
Canada	-7.0	-8.7	-1.7	4.7	16.9	8.9	8.2	9.5	7.6	9.3	27.1	2.1	22.6	-12.1	6.0
Australia	-8.7	-11.2	-2.1	-1.1	11.1	4.0	5.9	8.9	7.6	10.0	10.4	5.4	18.2	-6.5	9.6
UK	-5.2	-2.9	1.7	9.2	13.2	2.8	3.6	5.4	6.4	5.9	19.6	-13.2	16.4	-8.8	11.7
Germany	-10.2	-11.2	-20.5	-21.7	-3.9	-2.5	-1.4	3.6	6.7	6.0	6.3	8.1	16.1	-17.3	16.6
France	-7.0	-7.6	-13.2	-7.1	8.2	2.7	4.6	8.5	9.6	6.3	20.6	0.9	20.9	-7.3	17.6
Italy	-11.2	-10.7	-17.4	-12.0	3.7	-0.6	1.5	3.4	5.9	2.5	16.1	-1.3	22.4	-12.6	17.3
Spain	-6.9	-0.7	-2.1	-4.8	5.5	-3.2	-2.7	1.7	5.2	5.6	2.3	-7.7	7.7	-11.0	16.0
Japan	-4.4	-7.4	-11.1	-8.9	0.8	2.6	3.1	6.3	8.3	5.2	2.6	10.9	15.0	-7.5	13.3
Brazil	-16.1	-18.0	14.6	-12.8	6.9	-7.8	2.2	5.8	0.5	11.0	-16.6	-21.5	21.4	5.7	13.4
China	10.6	12.1	-1.0	-22.4	-6.0	1.0	3.5	5.5	8.2	11.7	-21.0	25.5	18.7	-13.8	40.7
India	-3.2	-6.4	-5.5	8.3	23.1	9.0	8.7	10.5	10.9	13.9	27.4	12.0	3.4	-1.5	26.7
Russia	0.0	0.0	-100.0	-100.0	-99.9	-98.8	-92.3	-83.4	-72.2	-44.3	20.1	-15.2	45.1	5.8	-3.9

Data Source: Thomson Reuters Datastream



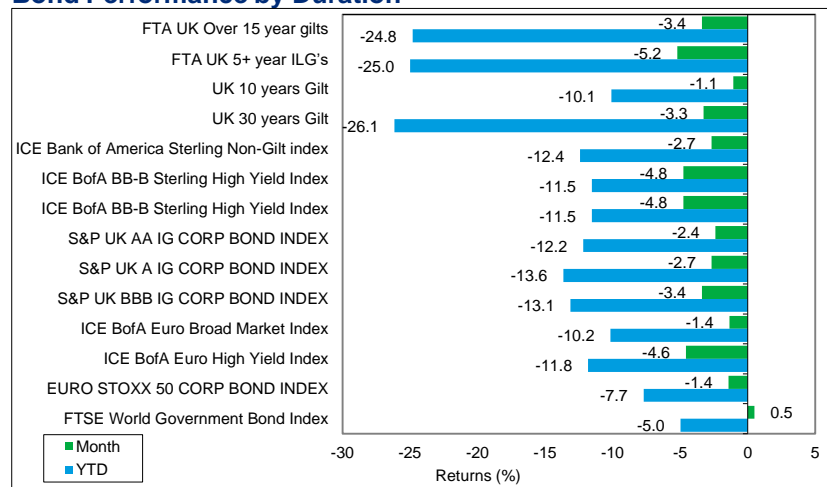
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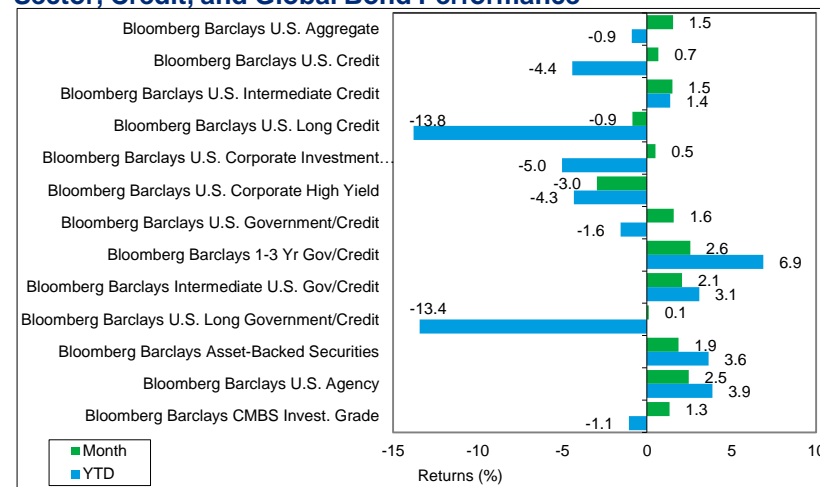
Performance Summary

Fixed Income ending 30 June 2022

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



Tudalen 554

Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017
FTA UK Over 15 year gilts	-3.4	-14.2	-24.8	-22.9	-17.1	-6.3	-1.7	1.6	2.7	5.0	-7.3	13.9	12.0	0.3	3.3
FTA UK 5+ year ILG's	-5.2	-19.8	-25.0	-19.1	-12.1	-4.7	-0.7	2.7	4.1	6.0	4.2	12.4	6.8	-0.4	2.5
UK 10 years Gilt	-1.1	-5.0	-10.1	-11.2	-8.0	-3.1	-0.3	1.6	1.8	4.6	-5.7	6.6	5.2	2.0	2.7
UK 30 years Gilt	-3.3	-14.4	-26.1	-24.2	-17.5	-6.6	-1.8	1.3	2.6	5.0	-6.4	13.8	11.7	0.4	3.1
ICE Bank of America Sterling Non-Gilt index	-2.7	-6.7	-12.4	-12.9	-5.8	-1.9	0.2	2.1	3.4	4.6	-3.0	8.0	9.5	-1.6	4.3
ICE BofA BB-B Sterling High Yield Index	-4.8	-8.4	-11.5	-11.3	-0.4	0.4	2.2	4.0	6.9	10.0	3.0	6.1	13.8	-1.4	8.2
S&P UK AA IG CORP BOND INDEX	-2.4	-6.3	-12.2	-12.4	-7.1	-2.7	-0.3	1.8	2.7	4.4	-4.8	7.7	7.3	-0.3	3.2
S&P UK A IG CORP BOND INDEX	-2.7	-7.5	-13.6	-13.7	-7.0	-2.4	-0.1	2.1	3.4	4.6	-3.9	8.4	10.4	-1.5	3.6
S&P UK BBB IG CORP BOND INDEX	-3.4	-7.4	-13.1	-13.6	-5.0	-1.4	0.6	2.5	4.1	5.5	-2.4	8.7	11.6	-2.6	5.5
ICE BofA Euro Broad Market Index	-1.4	-5.6	-10.2	-12.6	-8.9	-5.0	-1.3	2.9	2.5	4.8	-8.8	9.9	0.1	1.6	4.7
ICE BofA Euro High Yield Index	-4.6	-7.9	-11.8	-13.5	-4.6	-3.2	-0.3	4.6	4.9	8.6	-3.1	8.6	5.1	-2.5	11.0
EURO STOXX 50 CORP BOND INDEX	-1.4	-4.0	-7.7	-10.2	-6.7	-4.0	-1.2	2.9	2.3	--	-7.2	8.5	-0.9	0.1	5.5
FTSE World Government Bond Index	0.5	-1.2	-5.0	-5.3	-7.6	-2.8	0.2	3.8	1.9	0.9	-6.1	6.7	1.8	5.3	-1.8
Bloomberg Barclays U.S. Aggregate	1.5	2.5	-0.9	1.0	-4.8	0.4	2.1	4.9	3.9	4.5	-0.7	4.3	4.6	5.8	-4.9
Bloomberg Barclays U.S. Credit	0.7	0.4	-4.4	-2.4	-5.0	0.4	2.5	5.8	4.9	5.5	-0.2	6.0	9.4	3.7	-2.7
Bloomberg Barclays U.S. Intermediate Credit	1.5	3.9	1.4	2.8	-2.8	1.3	2.7	5.5	4.6	5.0	-0.1	3.8	5.4	5.9	-4.9
Bloomberg Barclays U.S. Long Credit	-0.9	-5.6	-13.8	-10.9	-8.7	-1.0	2.3	6.7	5.7	6.9	-0.3	9.8	18.6	-1.1	2.7
Bloomberg Barclays U.S. Corporate Investment Grade	0.5	0.0	-5.0	-3.0	-5.1	0.4	2.5	5.9	5.1	5.6	-0.2	6.5	10.2	3.3	-2.5
Bloomberg Barclays U.S. Corporate High Yield	-3.0	-2.2	-4.3	-1.0	1.3	1.8	3.5	7.1	6.9	8.1	6.1	3.9	10.0	3.6	-1.3
Bloomberg Barclays U.S. Government/Credit	1.6	2.2	-1.6	0.5	-5.1	0.6	2.3	5.1	4.1	4.7	-0.9	5.6	5.6	5.4	-4.6
Bloomberg Barclays 1-3 Yr Gov/Credit	2.6	6.8	6.9	8.3	-0.9	1.7	2.3	4.4	3.3	3.1	0.4	0.4	0.3	7.2	-7.1
Bloomberg Barclays Intermediate U.S. Gov/Credit	2.1	5.0	3.1	4.5	-3.0	1.2	2.3	4.9	3.8	4.2	-0.6	3.2	2.8	6.7	-6.2
Bloomberg Barclays U.S. Long Government/Credit	0.1	-5.5	-13.4	-9.8	-10.9	-1.0	2.2	6.3	5.1	6.7	-1.6	12.5	15.0	1.1	1.4
Bloomberg Barclays CMBS Invest. Grade	1.3	2.3	-1.1	-0.3	-2.9	0.8	2.3	4.1	3.7	4.2	-0.4	5.2	4.9	4.7	-2.7
Bloomberg Barclays U.S. Mortgage Backed Securities	1.4	3.1	0.7	2.3	-4.2	-0.1	1.5	4.3	3.5	4.2	-0.2	0.8	2.4	6.9	-5.9
Bloomberg Barclays Municipal Bond	1.4	4.2	0.4	2.6	-1.7	1.1	2.7	5.3	4.6	4.6	2.3	2.2	3.6	6.8	-2.8

Data Source: Thomson Reuters Datastream



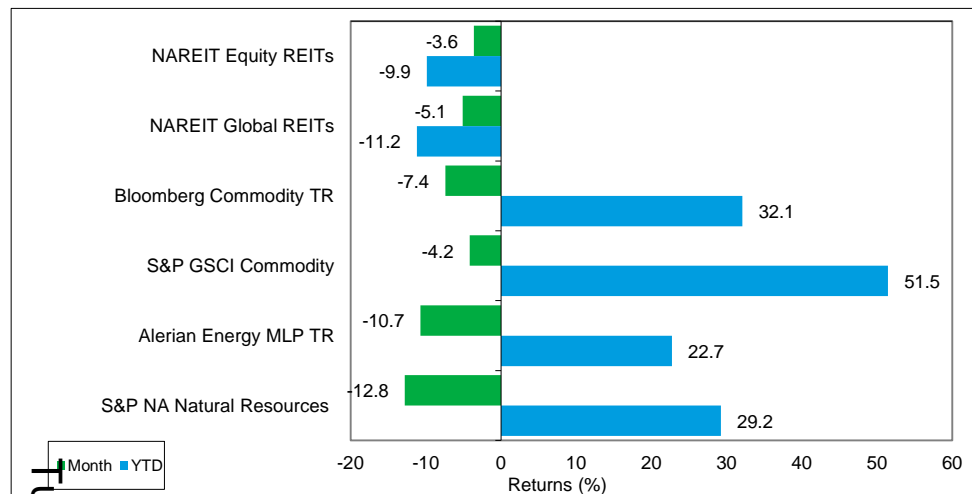
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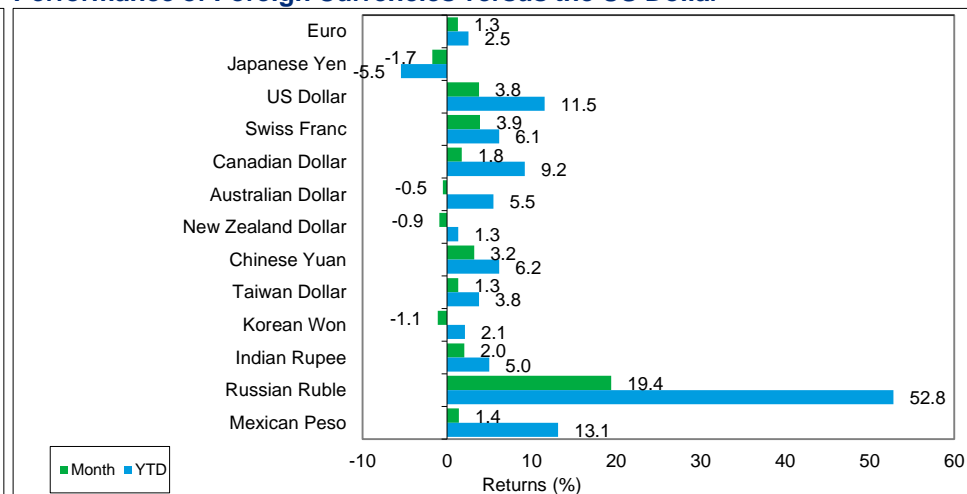
Performance summary

Alternatives ending 30 June 2022

Real Asset Performance



Performance of Foreign Currencies versus the US Dollar



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2021	2020	2019	2018	2017
NAREIT Equity REITs	-3.6	-7.5	-9.9	7.1	12.8	7.0	8.2	12.1	11.1	10.6	42.6	-8.1	23.7	1.9	-0.7
NAREIT Global REITs	-5.1	-10.2	-11.2	-0.7	9.4	1.4	4.3	7.9	8.3	9.0	28.4	-11.0	18.3	1.2	1.8
Bloomberg Commodity TR	-7.4	2.3	32.1	41.4	35.7	16.1	9.9	6.7	1.8	3.2	28.3	-6.1	3.5	-5.7	-7.1
S&P GSCI Commodity	-4.2	10.6	51.5	65.0	52.4	16.5	13.2	6.1	0.7	1.9	41.6	-26.1	13.1	-8.5	-3.4
Alerian Energy MLP TR	-10.7	0.4	22.7	18.7	31.9	1.6	1.1	1.5	3.3	9.7	41.5	-30.9	2.4	-7.0	-14.6
Oil	-4.3	14.3	56.8	63.7	65.5	23.8	19.7	12.7	4.9	8.3	56.4	-23.0	29.3	-20.2	2.7
Gold	1.5	0.3	10.2	16.0	1.1	10.2	9.2	10.4	3.8	10.4	-2.6	20.6	14.3	3.9	3.8
S&P NA Natural Resources	-12.8	-2.9	29.2	39.0	34.7	12.2	8.2	7.4	6.1	7.9	41.2	-21.5	13.1	-16.2	-7.5
Euro	1.3	1.9	2.5	0.3	-2.7	-1.3	-0.4	2.8	0.6	1.4	-6.9	5.6	-5.6	1.1	4.0
Japanese Yen	-1.7	-3.1	-5.5	-7.1	-10.1	-6.0	-2.4	2.2	-2.7	0.5	-10.3	2.0	-2.9	9.1	-5.4
US Dollar	3.8	8.4	11.5	13.8	0.9	1.6	1.4	3.8	2.6	1.1	-1.1	-3.1	-3.9	6.2	-8.7
Swiss Franc	3.9	4.2	6.1	9.8	0.3	2.2	1.4	3.4	2.5	--	-3.0	6.2	-2.1	5.0	-4.7
Canadian Dollar	1.8	5.0	9.2	9.2	3.6	2.0	1.5	3.3	0.2	2.0	0.8	-1.4	1.3	-2.6	-2.2
Australian Dollar	-0.5	-0.6	5.5	4.5	0.8	0.8	-0.8	2.2	-1.4	2.2	-5.8	5.9	-4.0	-4.0	-1.6
New Zealand Dollar	-0.9	-3.4	1.3	1.5	-0.9	-1.0	-1.8	2.4	0.1	--	-5.0	3.1	-2.9	0.2	-6.9
Chinese Yuan	3.2	2.7	6.2	9.8	3.7	2.4	1.6	2.6	2.1	2.2	2.7	3.2	-5.2	0.7	-2.5
Taiwan Dollar	1.3	4.5	3.8	6.6	0.5	3.1	1.8	4.3	2.6	1.7	1.3	3.4	-1.4	2.8	-1.1
Korean Won	-1.1	1.2	2.1	-1.3	-2.9	-2.3	-1.2	1.5	1.3	0.8	-8.7	3.2	-7.2	1.9	3.1
Indian Rupee	2.0	4.0	5.0	7.1	-1.4	-2.9	-2.6	0.6	-0.9	-1.3	-1.9	-5.3	-6.0	-2.9	-2.9
Russian Ruble	19.4	63.1	52.8	51.8	15.1	6.5	3.0	4.0	-2.6	-1.6	-1.0	-18.6	7.4	-11.9	-3.1
Brazilian Real	-6.0	-1.5	18.8	9.1	3.4	-8.4	-7.5	-3.7	-6.7	-1.9	-6.8	-24.9	-7.4	-9.1	-10.4
Mexican Peso	1.4	7.2	13.1	12.3	7.9	-0.1	-0.8	0.1	-1.5	-2.4	-3.0	-8.2	0.3	5.5	-3.8
BofA ML All Convertibles	-2.6	-8.6	-11.0	-9.7	8.5	11.8	11.5	12.8	13.5	9.8	7.6	41.7	18.4	6.4	3.9
60%S&P 500/40% Barc Agg	-2.3	-4.4	-6.8	1.4	6.0	7.6	8.5	11.1	11.1	8.0	17.7	10.6	17.7	3.3	4.8

Data Source: Thomson Reuters Datastream

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Clwyd Pension Fund Monitoring Report Quarter to 30 June 2022

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August 2022



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- 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.

Kieran Harkin

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	Investment Manager Summary	9
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Overview

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Executive Dashboard

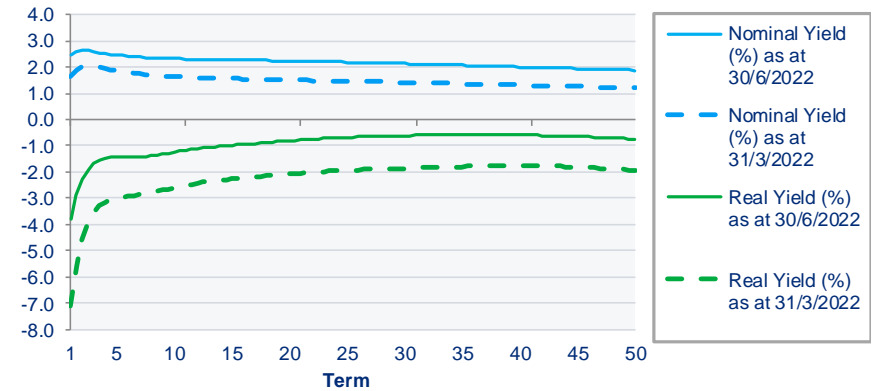
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Page 7	Asset Allocation	Page 8	Investment Performance
<p>Assets are broadly in line with their strategic target weights. Total Credit is underweight (-2.2%) and marginally outside the range. Credit and Risk Management Framework is also underweight (-2.6%), but within range. Property has increased above its range (+0.5%). Allocation to Infrastructure has increased but remains below its target of 8%.</p>	<p style="text-align: center;">Signal</p> <p style="text-align: center;">Previous Qtr ●</p> <p style="text-align: center;">Current Qtr ●</p>	<p>The Fund returned -7.5% over the quarter against a benchmark of -6.4%. Over the one year and three year periods to 30 June 2022, the Fund returned -1.5% and 5.7% p.a. against a benchmark of -2.2% and 5.4% p.a., respectively.</p>	<p style="text-align: center;">Signal</p> <p style="text-align: center;">Previous Qtr ●</p> <p style="text-align: center;">Current Qtr ●</p>
<p>Asset Allocation</p> <p>Private Market allocation has now reached slightly above the target (+0.8%). Underlying portfolios within private markets continue to increase towards their targets, including Local/ Impact, Infrastructure and Private Credit.</p>		<p>Performance vs Target</p> <p>The one year and three year performance is behind the strategic target and the actuarial past service and future service liabilities targets.</p>	
Page 12	Manager Research	Additional Comments	
<p>No significant news to report over the quarter.</p>	<p style="text-align: center;">Signal</p> <p style="text-align: center;">Previous Qtr ●</p> <p style="text-align: center;">Current Qtr ●</p>	<p>The Fund’s investment strategy will be reviewed in the coming year following the results from the triennial actuarial valuation as at 31 March 2022.</p>	

Market Conditions

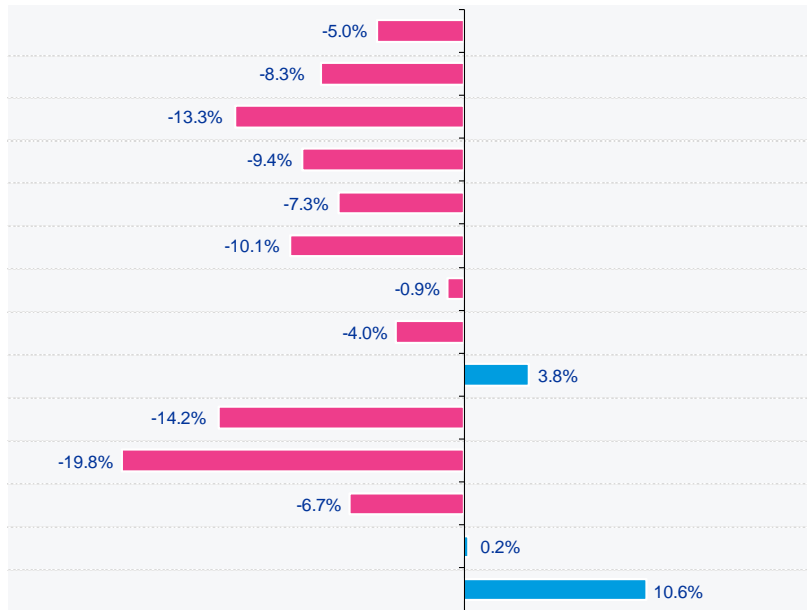
Yield / Spread	Values at (%)		Change (%)		
	30/06/2022	31/03/2022	3M	1Y	3Y
Over 5Y Index-Linked Gilts Yield	-0.81	-2.02	1.23	1.38	1.11
Over 15Y Fixed Interest Gilts Yield	2.56	1.74	0.81	1.36	1.14
Over 10 Year Non-Gilts Yield	4.29	3.11	1.15	2.08	1.62
Over 10 Year Non-Gilts Spread	1.75	1.34	0.40	0.63	0.36

Exchange Rates	£1 is worth		Appreciation (%)		
	30/06/2022	31/03/2022	3M	1Y	3Y
US Dollar (\$)	1.214	1.317	-7.76	-12.09	-1.55
Euro (€)	1.162	1.183	-1.83	-0.28	1.30
100 Japanese Yen (¥)	1.650	1.598	3.24	7.61	6.36

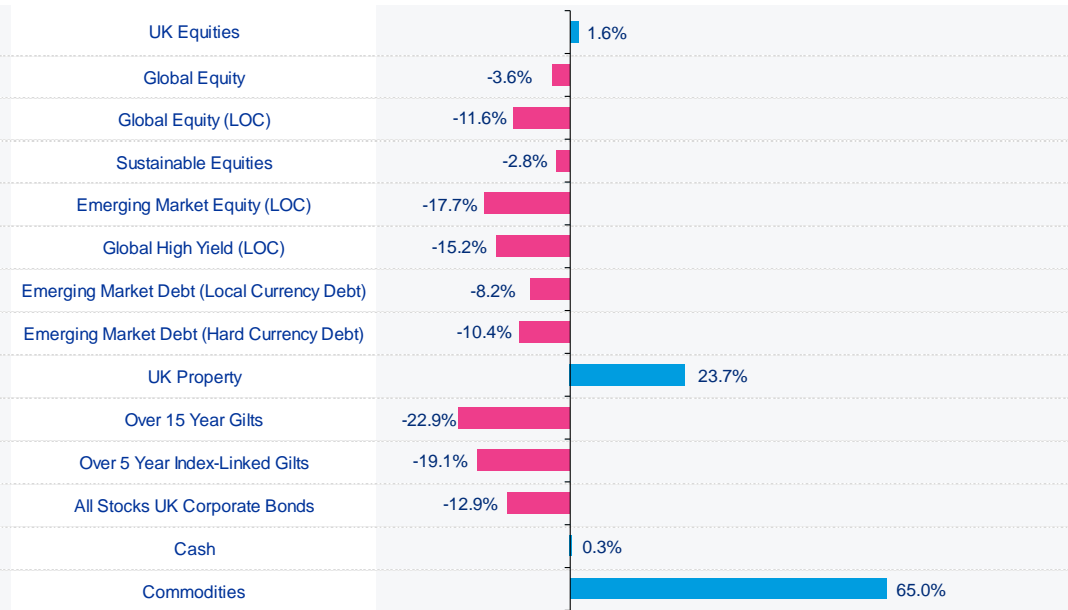


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3 months to 30/06/2022



12 months to 30/06/2022



Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

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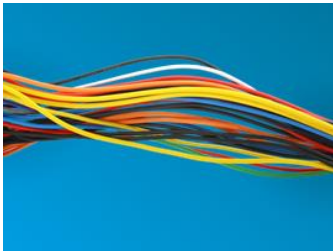
Explore Mercer’s thinking on these top-of-mind topics for global investors

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The return of inflation

What now?



Digital assets

What does the future hold?



Investing in China



Investing in hedge funds

The polarizing debate

We’re getting practical about climate investing

Pacesetters: Addressing challenges of climate investing

is Mercer’s third paper in a series of thought leadership on transformational investment, in collaboration with the World Economic Forum and some of the world’s most sophisticated investors.

This paper:

- Details practical solutions to address four challenges of climate investing;
- Introduces a benchmarking tool, developed by Mercer, that provides practical climate investing protocols; and
- Shares global best practices of large asset owners, captured via Mercer’s new benchmarking tool.



Strategy Monitoring

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Asset Allocation

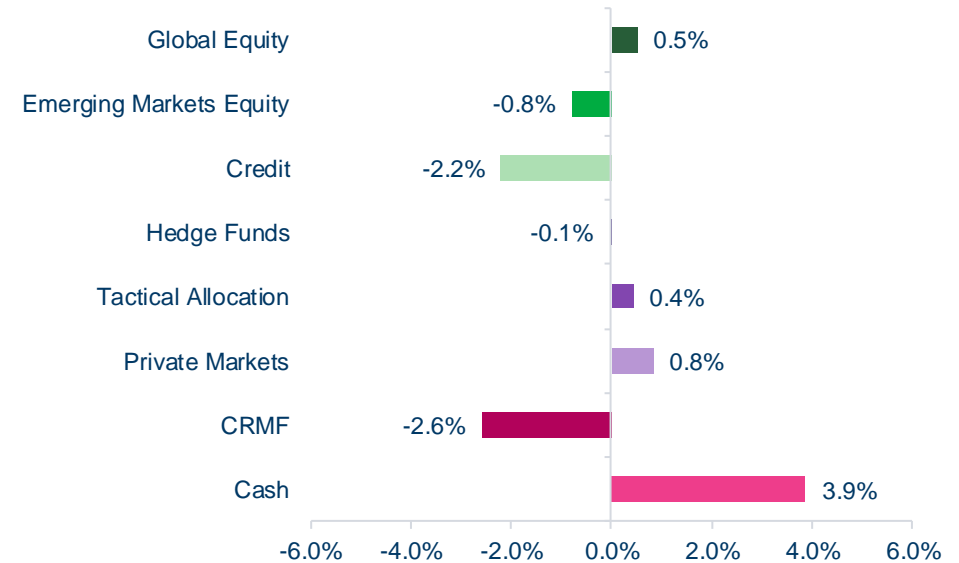
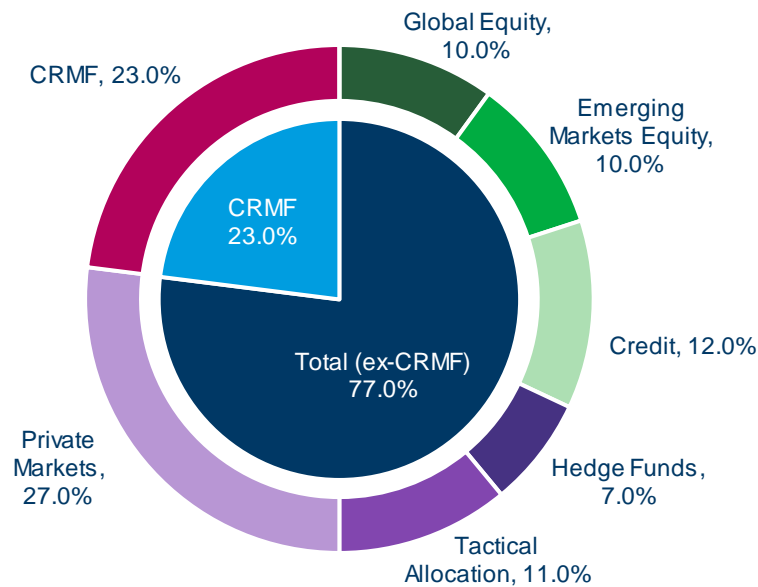
	31/03/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2022 Market Value (£M)	31/03/2022 Allocation (%)	30/06/2022 Allocation (%)	30/06/2022 B'mark (%)	30/06/2022 B'mark Range (%)
Total	2,457.1	7.9	-184.8	2,280.2	100.0	100.0	100.0	--
Total (ex-CRMF)	1,751.1	-0.8	-23.9	1,726.5	71.3	75.7	77.0	--
Total CRMF	626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash	79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.

Benchmark Asset Allocation as at 30 June 2022

Deviation from Benchmark Asset Allocation

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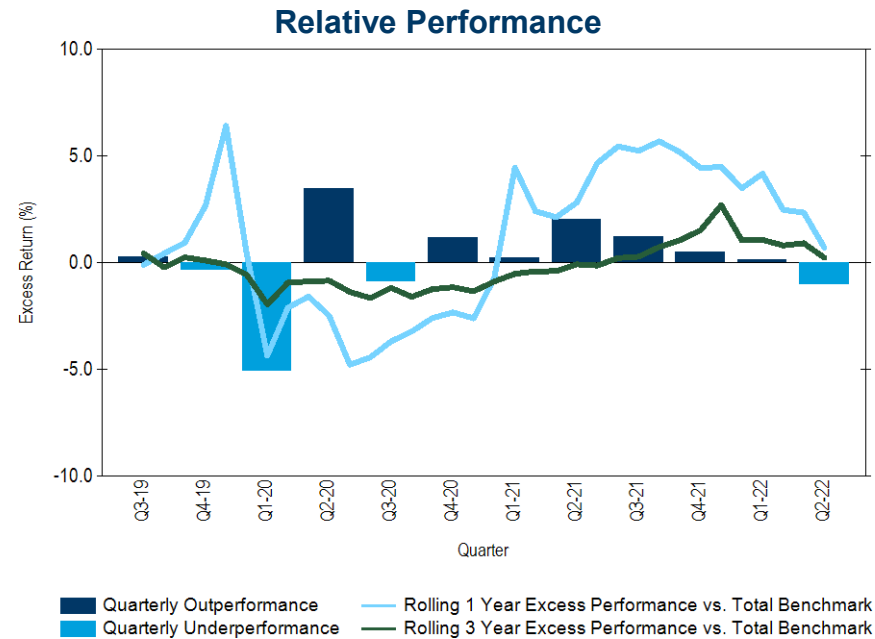


Investment Performance

	2022 Q2 (%)	1 Yr (%)	3 Yrs (%)
Total	-7.5	-1.5	5.7
Total Benchmark	-6.4	-2.2	5.4
Strategic Target (CPI +3.4% p.a.)	4.9	13.1	7.6
Actuarial Target - Past Service Liabilities (CPI +1.75% p.a.)	4.5	11.3	5.9
Actuarial Target - Future Service Liabilities (CPI + 2.25% p.a.)	4.6	11.9	6.4

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. Strategic and Actuarial targets are derived from realised CPI over the corresponding periods. Prior to Q2 2022, CPI was based on Mercer’s Market Forecasting Group assumptions. For periods over one year the figures in the table above have been annualised.

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Investment Manager Summary

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Manager Allocation

	Investment Manager	31/03/2022 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2022 Market Value (£M)	31/03/2022 Allocation (%)	30/06/2022 Allocation (%)	30/06/2022 B'mark (%)	30/06/2022 B'mark Range (%)
Total		2,457.1	7.9	-184.8	2,280.2	100.0	100.0	100.0	--
Total (ex-CRMF)		1,751.1	-0.8	-23.9	1,726.5	71.3	75.7	77.0	--
Total Equity		484.2	--	-34.8	449.4	19.7	19.7	20.0	10.0 - 30.0
Global Equity		263.4	--	-23.7	239.7	10.7	10.5	10.0	5.0 - 15.0
WPP Global Opportunities	Russell	129.8	--	-9.7	120.0	5.3	5.3	5.0	5.0 - 15.0
World ESG Equity	BlackRock	133.6	--	-14.0	119.7	5.4	5.2	5.0	5.0 - 15.0
Emerging Markets Equity		220.8	--	-11.1	209.7	9.0	9.2	10.0	5.0 - 15.0
WPP Emerging Markets Equity	Russell	220.8	--	-11.1	209.7	9.0	9.2	10.0	5.0 - 15.0
Total Credit		246.0	--	-22.6	223.4	10.0	9.8	12.0	10.0 - 14.0
WPP Multi-Asset Credit	Russell	246.0	--	-22.6	223.4	10.0	9.8	12.0	10.0 - 14.0
Total Hedge Funds		158.0	--	0.5	158.5	6.4	6.9	7.0	5.0 - 9.0
Hedge Funds	Man	158.0	--	0.5	158.5	6.4	6.9	7.0	5.0 - 9.0
Total Tactical Allocation		273.1	--	-12.5	260.7	11.1	11.4	11.0	9.0 - 13.0
Best Ideas	Various	273.1	--	-12.5	260.7	11.1	11.4	11.0	9.0 - 13.0
Total Private Markets		589.8	-0.8	45.5	634.5	24.0	27.8	27.0	15.0 - 37.0
Property	Various	146.3	0.0	2.6	149.0	6.0	6.5	4.0	2.0 - 6.0
Private Equity	Various	193.8	-6.8	15.0	202.1	7.9	8.9	8.0	6.0 - 10.0
Local / Impact	Various	67.1	2.9	8.4	78.4	2.7	3.4	4.0	0.0 - 6.0
Infrastructure	Various	118.2	-2.6	11.4	127.0	4.8	5.6	8.0	6.0 - 10.0
Private Credit	Various	51.8	6.6	6.1	64.4	2.1	2.8	3.0	1.0 - 5.0
Timber/ Agriculture	Various	12.5	-0.9	1.9	13.6	0.5	0.6	--	--
Total CRMF		626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash and Risk Management Framework (CRMF)	Insight	626.3	--	-160.9	465.4	25.5	20.4	23.0	10.0 - 35.0
Cash		79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0
Cash		79.6	8.7	0.0	88.3	3.2	3.9	0.0	0.0 - 5.0

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Net cashflows exclude the reinvestment of income.

Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Manager Performance

	Investment Manager	2022 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)
Total		-7.5	-6.4	-1.5	-2.2	5.7	5.4
Total Equity		-7.1	-6.3	-10.2	-7.6	4.7	6.8
WPP Global Opportunities	Russell	-7.5	-8.1	-3.5	-2.2	8.9	10.0
World ESG Equity	BlackRock	-10.4	-9.9	-2.4	-2.0	--	--
WPP Emerging Markets Equity	Russell	-4.9	-3.6	--	--	--	--
Total Credit		-9.3	1.2	-12.7	4.3	-1.7	3.1
WPP Multi-Asset Credit	Russell	-9.3	1.2	-12.7	4.3	--	--
Total Hedge Funds		0.3	1.1	4.3	3.8	3.9	3.9
Hedge Funds	Man	0.3	1.1	4.3	3.8	3.9	3.9
Total Tactical Allocation		-4.5	4.8	9.0	10.5	8.4	6.9
Best Ideas	Various	-4.5	4.8	9.0	10.5	8.2	6.9
Total Private Markets		7.7	1.8	26.2	8.1	12.7	5.9
Property	Various	1.8	3.8	15.5	23.7	6.8	9.5
Private Equity	Various	7.8	1.4	28.9	5.3	18.3	5.4
Local / Impact	Various	12.3	1.4	38.5	5.3	--	--
Infrastructure	Various	9.7	1.4	30.6	5.3	9.2	5.4
Private Credit	Various	11.5	1.8	23.4	7.5	7.7	7.5
Timber/ Agriculture	Various	15.7	1.4	19.0	5.3	4.9	5.4
Total CRMF		-25.7	-25.7	-19.8	-19.8	2.5	2.5
Cash and Risk Management Framework (CRMF)	Insight	-25.7	-25.7	-19.8	-19.8	2.5	2.5

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.

Russell WPP Global Opportunities and Russell Emerging Markets portfolios benchmark performance includes the outperformance target.

Total hedge funds performance includes performance of the legacy Liongate portfolio.

Hedge funds, best ideas and private markets portfolios performance has been estimated by Mercer.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

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Manager Ratings

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	Investment Manager	12m Perf	3yr Perf
WPP Global Opportunities	Russell	●	●
World ESG Equity	BlackRock	●	--
WPP Emerging Markets Equity	Russell	--	--
WPP Multi-Asset Credit	Russell	●	--
Hedge Funds	Man	●	●
Best Ideas	Various	●	●
Property	Various	●	●
Private Equity	Various	●	●
Local / Impact	Various	●	--
Infrastructure	Various	●	●
Private Credit	Various	●	●
Timber/ Agriculture	Various	●	●
Cash and Risk Management Framework (CRMF)	Insight	●	●

	Active Funds , Target Specified	Active Funds , Target Not Specified	Passive Funds
● Meets criteria	Target or above performance	Benchmark or above performance	Within tolerance range
● Partially meets criteria	Benchmark or above performance, but below target	--	--
● Does not meet criteria	Below benchmark performance	Below benchmark performance	Outside tolerance range
● Not applicable	--	--	--

Appendix

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Appendix A

Benchmarks

Name	Investment Manager	B'mark (%)	Performance Benchmark
Total		100.0	-
Total (ex-CRMF)		77.0	-
Total Equity		20.0	Composite Weighted Index
WPP Global Opportunities	Russell	5.0	MSCI AC World (NDR) Index +2.0% p.a.
World ESG Equity	BlackRock	5.0	MSCI World ESG Focus Low Carbon Screened Midday Index
WPP Emerging Markets Equity	Russell	10.0	MSCI Emerging Markets Index +1.5% p.a.
Total Credit		12.0	SONIA +4.0% p.a.
WPP Multi-Asset Credit	Russell	12.0	SONIA +4.0% p.a.
Total Hedge Funds		7.0	SONIA +3.5% p.a.
Hedge Funds	Man	7.0	SONIA +3.5% p.a.
Total Tactical Allocation		11.0	UK Consumer Price Index +3.0% p.a.
Best Ideas	Various	11.0	UK Consumer Price Index +3.0% p.a.
Total Private Markets		27.0	Composite Weighted Index
Property	Various	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	SONIA +5.0% p.a.
Local / Impact	Various	4.0	SONIA +5.0% p.a.
Infrastructure	Various	8.0	SONIA +5.0% p.a.
Private Credit	Various	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	SONIA +5.0% p.a.
Total CRMF		23.0	Composite Liabilities & Synthetic Equity
Cash and Risk Management Framework (CRMF)	Insight	23.0	Composite Liabilities & Synthetic Equity

Figures may not sum to total due to rounding.

Performance benchmark for WPP Global Opportunities and Russell Emerging Markets portfolios include the outperformance target.

Private Credit benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Cash & Risk Management Framework benchmark is assumed equal to fund performance for calculation purposes.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 31 st August 2022
Report Subject	Funding, Flightpath and Risk Management Framework Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The estimated funding position at 30 June 2022 of 95% is around 2% ahead of the expected position. The assumptions are being reviewed as part of the 2022 actuarial valuation and the updated position will be recalibrated once completed.

The objectives and update on the various parts of the Risk Management Framework is included in the Appendix and shows the management of:

- Interest rate and inflation risk
- Equity market risk
- Currency risk
- Liquidity and collateral risk

The total gain since inception of the synthetic equity strategy to 30 June 2022 is c. £75m. The currency hedging positions have made a loss of £23.7m in total since inception to 30 June 2022 due to weakening of sterling over that period versus the dollar. This is offset against gains on the physical overseas equity holdings.

The Fund remains in a relatively healthy position in terms of funding level versus the expected position, despite a challenging market environment. The Fund has benefitted from having the Flightpath in place, as both the equity protection strategy has increased in value as equity markets have fallen, and the inflation protection has reduced the funding strain from the significant increase in inflation over the year. As interest rates have risen over the six month period to 30 June 2022, the available collateral held by the Fund to support the Flightpath has been depleted but remains in a very healthy position. The robust collateral monitoring framework in place means we can react accordingly should further collateral be required.

The Funding and Risk Management Group (FRMG) formally assess all parts of the Flightpath on an annual basis and will consider whether any refinements are required. This assessment is currently underway and will be discussed at the FRMG meeting on 2 September and will report back to the Committee on any proposed changes including in relation to any impact on the funding position.

RECOMMENDATIONS

- | | |
|---|--|
| 1 | That the Committee note and consider the contents of the report. |
|---|--|

REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	<p>Update on funding and the flightpath framework</p> <p>The monthly summary report as at 30 June 2022 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.</p>
1.02	<p>The estimated funding level is 95% at 30 June 2022, which is 2% ahead of the expected position when measured relative to the 2019 valuation expected funding plan. The investment environment has been bearish year to date amid rising inflation and the actions of central banks which have reacted by hiking interest rates.</p> <p>A trigger of 110% has been put in place to prompt future FRMG de-risking discussions and a formal protocol was proposed and ratified at the previous Committee meeting. The funding level is below this trigger currently but if breached, this would prompt further analysis on whether the Fund can take de-risking actions to provide more certainty for employers without inadvertently putting upwards pressure on contributions ahead of finalising the 2022 actuarial valuation. This trigger will be considered at a future FRMG meeting in light of the outcome of the actuarial valuation.</p>
1.03	<p>The level of hedging was approximately 20% for interest rates and 40% for inflation at 30 June 2022. The liability hedging portfolio performed negatively over the quarter to 30 June 2022 due to a combination of a continued rise in gilt yields and falling inflation expectations. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets.</p> <p>Triggers are in place to purchase additional interest rate or inflation hedging at an affordable level. Currently the cost to purchase gilts in order to further increase the hedging is felt to be too prohibitive at the current time and therefore none of the interest rate triggers have been breached since they were re-structured in September 2017. No inflation triggers have been breached since May 2020. In September 2020, the inflation hedge was rebalanced back to the current strategic target of 40% from 20% to reduce the risk that inflation will increase due to central bank and government intervention in managing the COVID-19 pandemic and the related market volatility. Given the continued interest rate rises, the FRMG will be considering whether to lock-in some of these higher yields as part of the annual review of the Flightpath to be discussed on 2 September.</p>
1.04	<p>Based on data from Insight, our analysis shows that the management of the Insight Liability Hedging mandate is rated as “green” as at the end of Q1 2022, meaning it is operating in line within the tolerances monitored by Mercer.</p> <p style="text-align: center;">Tudalen 576</p>

The Cash Plus Fund is rated “amber” due to underperformance since inception and over Q1 2022. The collateral position of the Fund has worsened over the quarter to June 2022 due to rising gilt yields, however the Fund continues to have a healthy collateral position. Further, Insight are mandated to sell the Cash Plus Funds if collateral is required in the short term as part of the robust collateral waterfall framework in place, which has improved the efficiency of the collateral position. As at 30 June there had been no required asset sales from the Cash Plus Funds. Overall, the collateral waterfall has generated an additional £6.2m return from inception at 31 January 2019 to 30 June 2022.

The collateral waterfall structure will be reviewed alongside the wider Risk Management Framework as part of the annual health check that is currently ongoing and the outcome of this will be reported at a future Committee meeting. This will consider the appropriateness of the strategy as well as the operational structure in light of the material shift in interest rates and inflation expectations. No immediate action is recommended at this point.

1.05 **Update on Risk Management framework**

(i) Synthetic equity and equity protection strategy

The Fund gains exposure to equity markets via derivatives and protects this exposure against potential falls in the equity markets via the use of an equity protection strategy. This provides further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality.

It should be noted that, having an equity protection policy in place will protect from any large changes in equity markets. Importantly over the longer-term the increased security allows the Actuary to include less prudence/buffer in the Actuarial Valuation assumptions; this translated into lower contributions at the 2019 valuation, whilst maintaining the equity exposure supports a lower cost of accrual than under traditional de-risking methods.

The Fund’s synthetic equity and equity protection strategy is implemented through a Total Return Swap (“TRS”) contract with JP Morgan, held within the Insight QIAIF (the fund that implements the risk management strategies on the Fund’s behalf). The TRS contract is for a fixed term of 3 years up to 2024.

As at 30 June 2022, the total performance since inception of the synthetic equity and equity protection strategy in May 2018 was an increase of c. £75m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £60m since inception. The underperformance is largely driven by the rise in equity markets since inception of the strategy meaning the protection has become less valuable. Over the year to date the Fund has benefited from the protection provided

	<p>by the equity protection strategy due to sustained falls in equity markets. This has resulted in the strategy outperforming an investment in passive equities (with no frictional costs) by £15m over the quarter to 30 June 2022.</p>
1.06	<p>(ii) <u>Collateral update</u></p> <p>As at 30 June 2022 we estimate the collateral headroom (i.e. the amount over and above the minimum immediate collateral of £150m) of c. £77m. The QIAIF has available immediate collateral (Tier 1 assets) of £227m. Insight would take action if Tier 1 collateral fell below £150m, and have discretion to take action if Tier 1 collateral falls below £190m. The action they would take would be to sell some of the Tier 2 assets (the Cash Plus Funds, High Grade ABS and Global ABS) to top up the level of Tier 1 collateral. These daily dealing Tier 2 funds have in total c. £202m as at 30 June 2022.</p> <p>The QIAIF continues to have a very healthy collateral position despite the recent increases in interest rates and falls in inflation, which have caused the value of Liability Hedging assets to fall. This is despite the recent press coverage which was mainly related to private sector schemes with higher hedge ratios and different objectives in relation to risk management.</p>
1.07	<p>(ii) <u>Currency hedging gain/loss</u></p> <p>The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £16.4m since inception on 8 March 2019 to 30 June 2022 due to the material weakening of sterling over that period, particularly versus the US dollar.</p> <p>The Fund's overseas developed market physical equity holdings are currency hedged and have made a loss of c. £7.3m since inception of the strategy due to the material weakening of sterling over that period.</p> <p>Overall the action to hedge the Fund's developed equity currency risk has resulted in a loss of £23.7m since inception of the strategies, although this will have been offset by rises in value of the overseas equity holdings due to these currency movements.</p>
1.08	<p>Impact of interest rate and inflation changes on the discount rate</p> <p>As part of the valuation, the discount rate (expected return) and inflation rate assumptions will be set in relation to market conditions at 31 March 2022 and this will be discussed with Committee as part of the valuation and Funding Strategy Statement considerations. However, we will also need to consider the impact of the changes in economic outlook and interest/inflation rates after the valuation date in terms of tracking the funding position as part of the monitoring framework. This will also feed into the separate investment strategy review being undertaken later in 2022. This will be discussed at the FRMG meeting on 2 September and the outcome of those discussions will be reported back to Committee and factored into future monitoring reports.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required
4.00	RISK MANAGEMENT
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.02	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral, and generating additional yield in a low governance manner. Hedging the currency risk of the market value of the synthetic equity portfolio will protect the Fund against a strengthening pound which would be detrimental to the Fund's deficit. Hedging the currency risk of the developed market physical equity exposure will mitigate the risk of a strengthening pound.
5.00	APPENDICES
5.01	Appendix 1 - Monthly monitoring report – 30 June 2022
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016. • Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	(a) The Fund – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.

- (b) **Administering Authority or Scheme Manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **The Committee – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
- (d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (e) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (f) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.
- (g) **ISS – Investment Strategy Statement**
The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund

Further terms are defined in the Glossary in the report in Appendix 1



Risk management framework

Monthly monitoring report: 30 June 2022

Tudalen 581

Clwyd Pension Fund
July 2022

Nick Page FIA CERA

welcome to brighter



Overriding objectives

Tudalen 582



Versus






Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns





Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

Executive summary

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

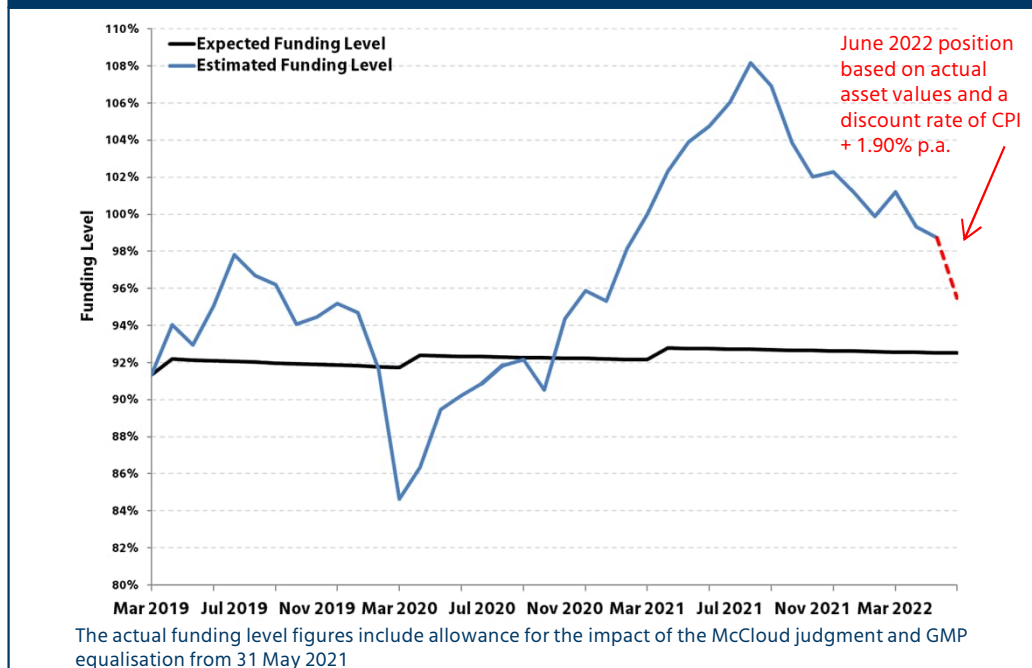
Tudalen 583

	<p>Overall funding position at 30 June 2022</p> <ul style="list-style-type: none"> • Ahead of existing recovery plan • New funding level trigger introduced at 110% 	<p>The funding position is 95% which is ahead of the target by around 2%. There is continuing uncertainty in the outlook for future returns and inflation which could impact on the future funding requirements.</p>
	<p>Liability hedging mandate at 31 March 2022</p> <ul style="list-style-type: none"> • Insight in compliance with investment guidelines • Outperformed the benchmark marginally over Q4 2021 • Hedge ratios in line with target levels 	<p>No triggers breached over Q1 2022.</p>
	<p>Synthetic equity mandate at 30 June 2022</p> <ul style="list-style-type: none"> • Insight in compliance with investment guidelines • Outperformed the benchmark over the month 	<p>A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure rolled on 23 May 2021 with no further changes to the strategy. No action required.</p>
	<p>Currency hedging at 30 June 2022</p> <ul style="list-style-type: none"> • Currency hedging overlay implemented in the QIF in August 2019 • As at 30 June 2022, the market value of the currency hedge since inception on 22 August 2019 was -£7.3m 	<p>No action required.</p>
	<p>Cash Plus Funds, collateral and counterparty position at 31 March 2022</p> <ul style="list-style-type: none"> • The Cash Plus Fund has underperformed the benchmark since inception and also over the quarter. We will continue to monitor performance. • The Insight QIF can sustain at least a 2.7% rise in interest rates or 1.7% fall in inflation without eliminating all headroom. 	<p>Overall, the collateral waterfall has returned £10.0m at 31 December 2021 since implementation at 31 January 2019 versus the previous structure.</p> <p>The Fund has sufficient collateral to withstand the stresses as at 31 December 2021. No action required.</p>

Funding level monitoring to 30 June 2022

Tudalen 584

Estimated funding position since 31 March 2019



Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2019 valuation based on the assumptions (and contributions) outlined as part of the 2019 actuarial valuation. The expected funding level at 30 June 2022 was around 93%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2019 to 31 May 2022. The **red dashed line** shows the progression of the estimated funding level over June 2022. At 30 June 2022, we estimate the funding level and deficit to be:

95% (£108m)

From October 2021 we have incorporated *the membership experience impact* of the 2021 interim funding review which has reduced the funding level by c2% in isolation. The Fund's position was ahead of the expected funding level based on the 2019 valuation expectations at 30 June 2022 by around 2% on the current funding basis.

Uncertainty continues to be prevalent in the investment and fiscal environments due to the geo-political uncertainty and economic outlook – in particular inflation which has a direct impact on the Fund's liabilities. In particular when assessing the funding levels from 31 March 2022 onwards above, we have incorporated an allowance for observed inflation since September 2021 which will impact on the 2023 pension increase. For these funding levels we have also approximately allowed for the change in interest rate and inflation outlook when considering the appropriate discount rate as noted above.

The funding position and appropriate assumptions will be considered in more detail as part of 2022 actuarial valuation and the outcomes will be reported separately in the next few months. The monitoring report will then be reset versus the 2022 valuation.

Funding Level Triggers

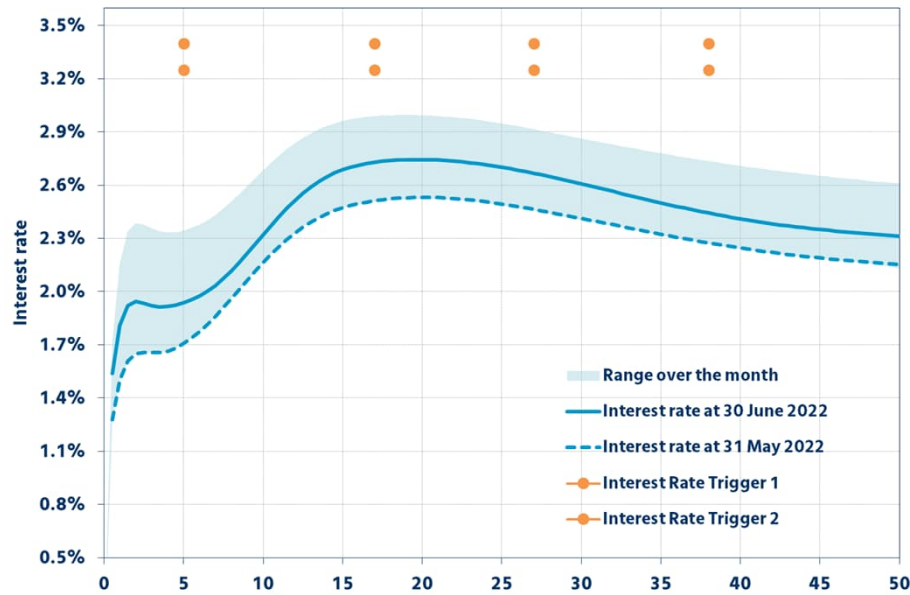
Following a breach of the 100% soft trigger, it was concluded at the FRMG on 9 July 2021 that the funding level was not currently sufficiently high to warrant de-risking in a traditional sense via a change in long term strategy.

It was agreed that a new trigger will be put in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110% on a consistent approach to the 2019 valuation funding basis. This funding level will be monitored approximately by Mercer on a daily basis.

Update on market conditions and triggers

Tudalen 585

Change in interest rates



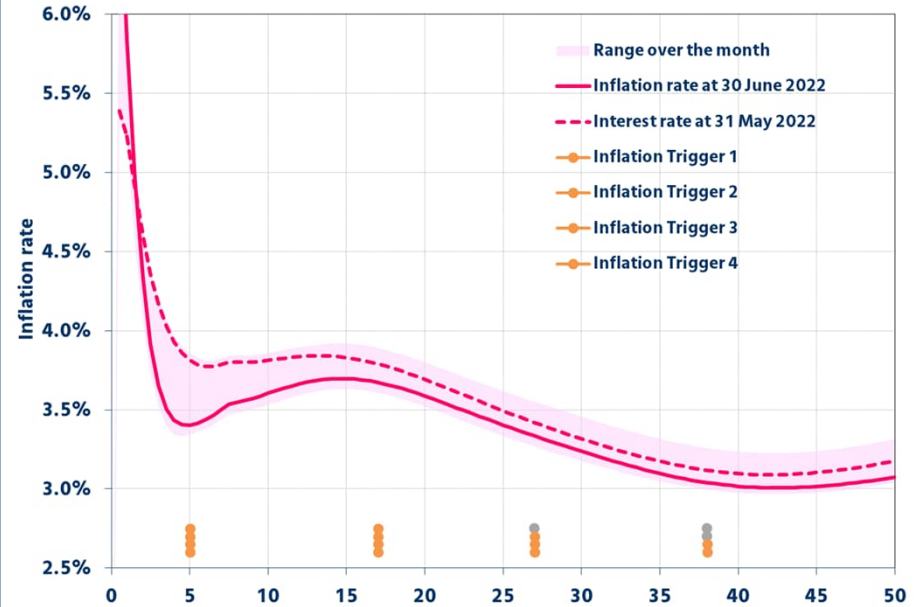
Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2022	19.54%	20.41%	21.85%	33.83%	25.81%

Comments

Over the month of June, interest rates rose across the curve.

Based on market conditions as at 30 June 2022, yields would need to rise by c. 0.5% p.a. before the Fund would hit any of the revised interest rate triggers implemented by Insight in Q3 2017.

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2022	38.79%	22.78%	33.18%	62.06%	41.76%

Comments

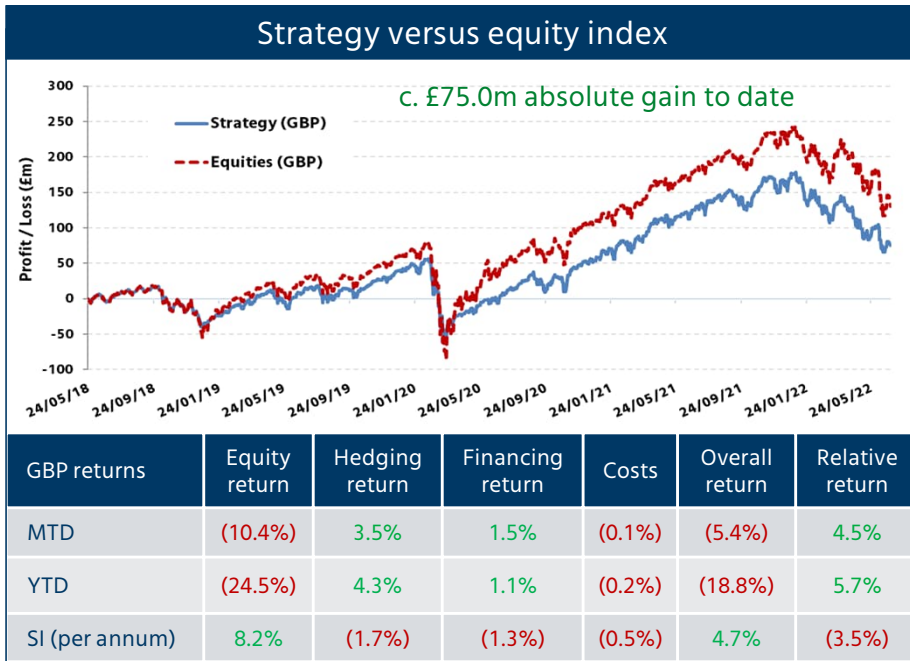
Inflation expectations fell across all but the shortest maturities over the period.

The target hedge ratios for the portfolio are 20% for interest rates and 40% for inflation expectations. No triggers were breached in June.

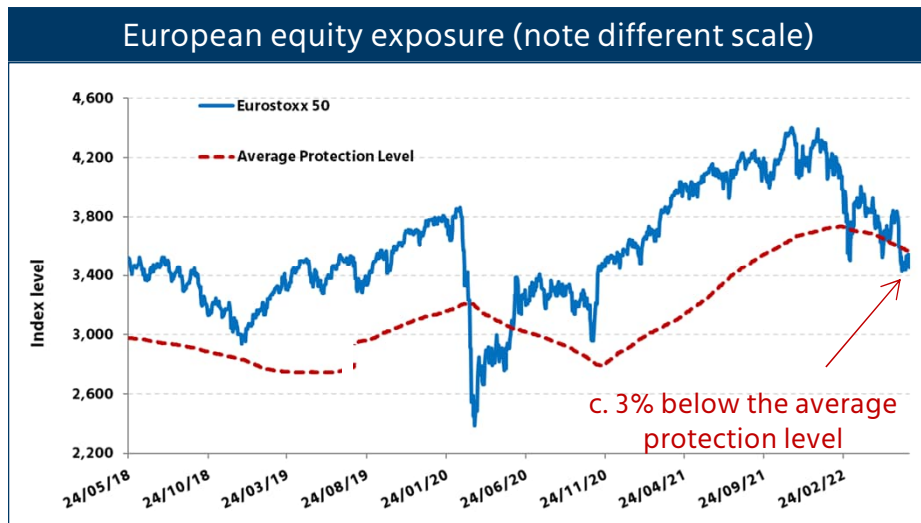
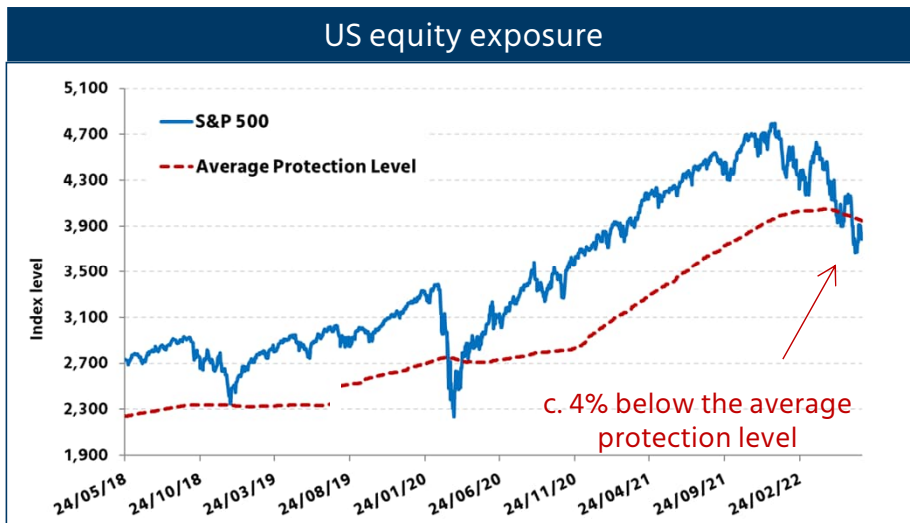
*Hedge ratios calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.9% p.a..

Update on equity protection mandate

Tudalen 586

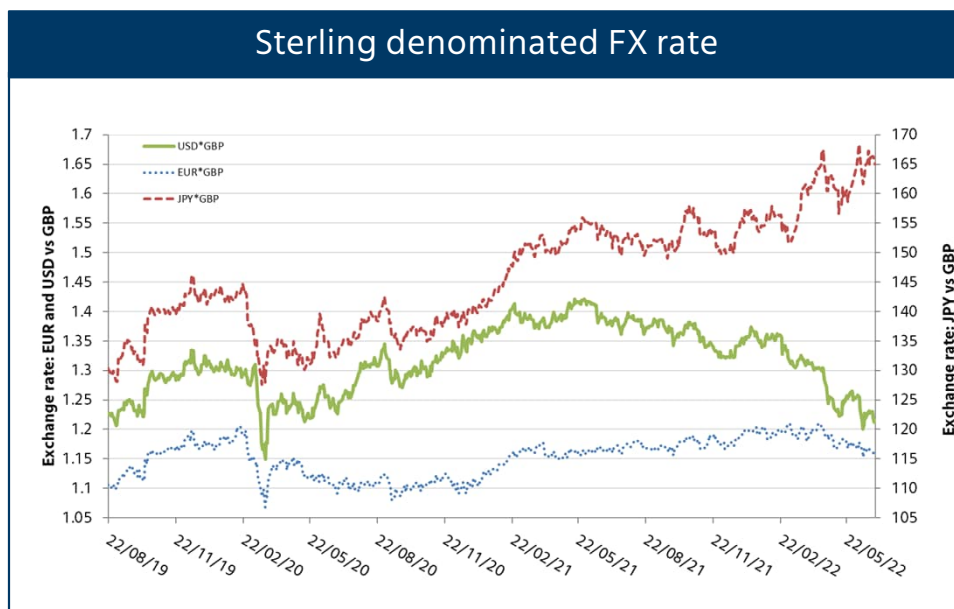


- ### Comments
- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to two weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
 - Equity markets fell materially over June, though the equity protection mandate outperformed unprotected equity due to a positive return from the hedging leg. The strategy has outperformed passive equities both over the month and year to date. As at 30 June 2022, there was a gain of c. £75.0m on the equity strategy since inception, relative to a c. £134.7m gain had the Fund invested in passive equities (with no frictional costs).
 - From inception on 8 March 2019 to 30 June 2022, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £16.4m loss relative to an unhedged position, as sterling has weakened at an overall level since inception.



Developed market physical equity currency hedge

Tudalen 587



- ### Comments
- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk.
 - The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
 - As at 30 June 2022, the market value of the currency hedge since inception on 22 August 2019 was -£7.3m.
 - The market value of the currency hedge has fallen materially over June, driven primarily by a major weakening of sterling against the dollar and a weakening versus the euro, partially offset by a strengthening versus the yen.

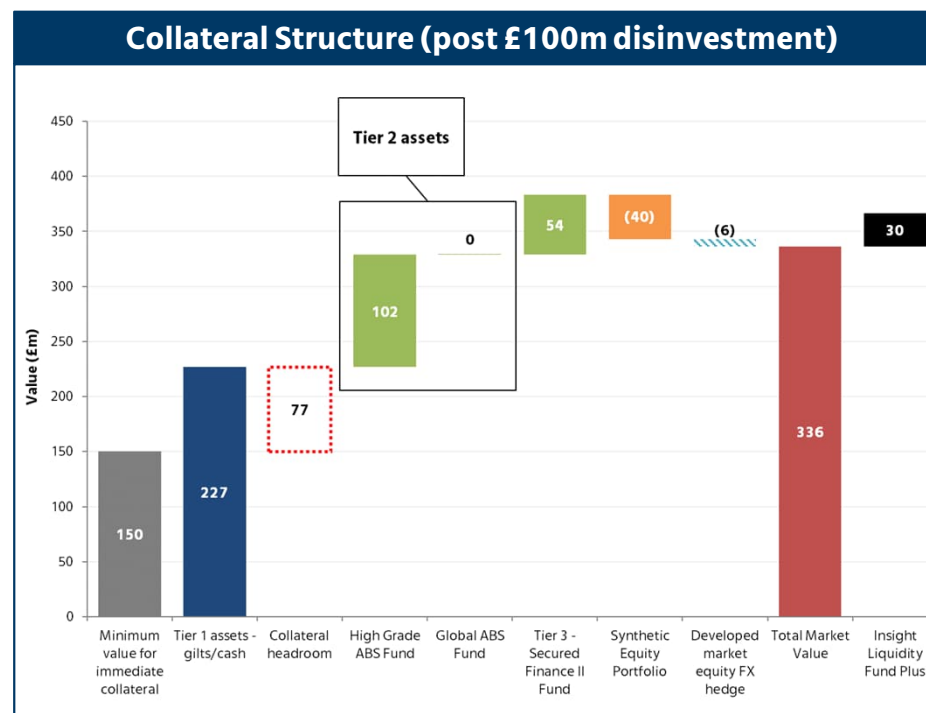
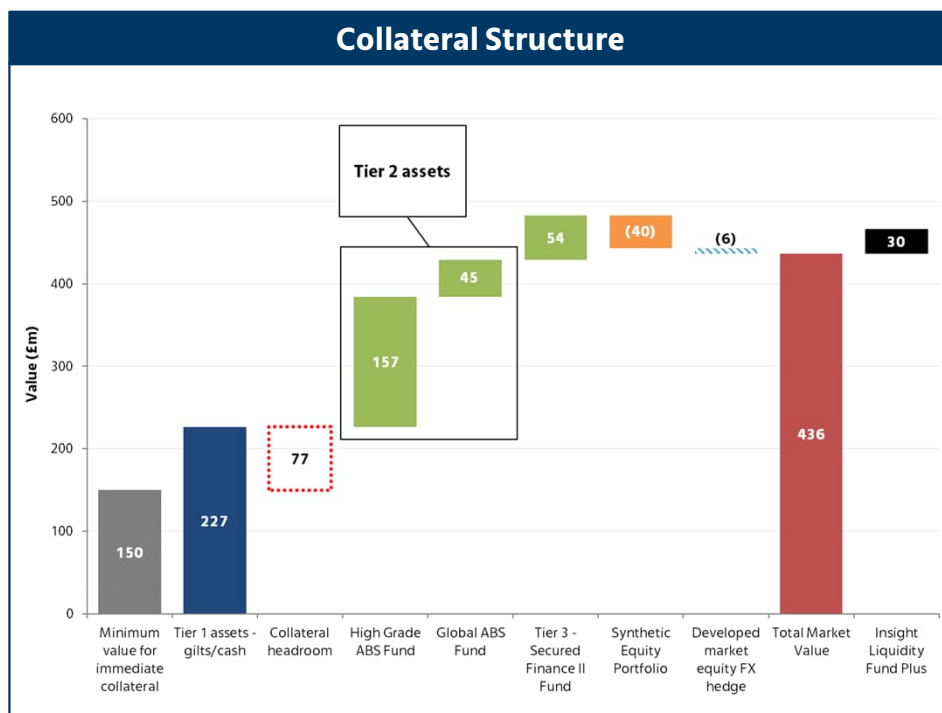
	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 May 2022
EUR	14%	£1.7m	(£0.3m)
JPY	7%	£4.1m	£0.3m
USD	79%	(£13.1m)	(£6.5m)
	100%	(£7.3m)	(£6.5m)

*Insight transacted on the currency hedge on 22 August 2019.

Figures may not sum due to rounding.

Exposures & collateral

Tudalen 588



Illustrative monitoring test at 30 June 2022 (Base case)	No Custom TRS shock	With 20% Custom TRS shock
Liquid assets	Headroom + Tier 2	Headroom + Tier 2
Interest rate rise to eliminate (p.a.)	> 3.0%	2.7%
Inflation fall to eliminate (p.a.)	> 3.0%	1.7%

Illustrative monitoring test at 30 June 2022 (£100m disinvestment from Tier 2)	No Custom TRS shock	With 20% Custom TRS shock
Liquid assets	Headroom + Tier 2	Headroom + Tier 2
Interest rate rise to eliminate (p.a.)	> 3.0%	0.8%
Inflation fall to eliminate (p.a.)	2.0%	0.5%

Custom TRS shock is defined as a 20% fall in the value of the custom TRS (equivalent to a c. 40% fall in equity markets). Assumes MV of structured equity is absorbed prior to Tier 1 assets being sold down.

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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Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 13

Yn rhinwedd paragraff(au) 18 of Part 4 of Schedule 12A
o Ddeddf Llywodraeth Leol 1972.

Dogfen Gyfyngedig - Ni ddylid ei chyhoeddi

Mae'r dudalen hon yn wag yn bwrpasol

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