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, Cllr. Andrew Rutherford, Cllr Gwyneth Ellis a Cllr Anthony Wedlake

Dydd Mercher, 23 Awst 2023

Annwyl Gynghorydd

RHYBUDD O GYFARFOD HYBRID
PWYLLGOR CRONFA BENSIWN CLWYD
DYDD MERCHER, 30AIN AWST, 2023 AM 9.30 AM

Yn gywir

Steven Goodrum
Rheolwr Gwasanaethau Democratiadd

Sylwch: Gellir mynychu'r cyfarfod hwn naill ai wyneb yn wyneb yn Siambr Cyngor yr Arglwydd Barry Jones, Cyngor Sir y Fflint, Yr Wyddgrug, Sir y Fflint neu ar-lein.

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd y ffrydio byw yn dod i ben pan fydd unrhyw eitemau cyfrinachol yn cael eu hystyried. 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 Democrataidd 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 Aeolodau yn unol a Hynny.
3	**COFNODION** (Tudalennau 5 - 14)
	Pwrpas: I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 21 Mehefin 2023.
4	**ADRODDIAD BLYNYDDOL DRAFFT A CHYFRIFON 2022/23** (Tudalennau 15 - 210)
	Pwrpas: I Aelodau'r Pwyllgor ystyried Adroddiad Blynyddol drafft a Chyfrifon Cronfa Bensiynau Clwyd ar gyfer 2022/23 a'i gymeradwyo ar gyfer ymgynghoriad ac i wneud Aelodau'r Pwyllgor yn ymwybodol o'r ymateb i Lythyr Ymholiadau Archwilio 2022/23 a'r Cynllun Archwilio 2022/23.
5	**YMGYNGHORIAD ADRAN FFYNIANT BRO, TAI A CHYMUNEDAU AR Y CYNLLUN PENSIWN LLYWODRAETH LEOL: CAMAU NESAF AR FUDDSODDIADAU** (Tudalennau 211 - 222)
	Pwrpas: Galluogi Aelodau'r Pwyllgor i ddarparu sylwadau a barn ar yr ymgynghoriad, ac i ddirprwyo cymeradwyaeth o ymateb y Gronfa i Bennaeth Cronfa Bensiynau Clwyd.
6	**CYFLWYNIAD COD STIWARDIAETH DRAFFT** (Tudalennau 223 - 320)
	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.
7	**POLISI BUDDSODDI CYFRIFOL O FEWN Y DATGANIAD STRATEGAETH FUDDSODDI** (Tudalennau 321 - 334)
	Pwrpas: Darparu'r Polisi Buddsoddi Cyfrifol diwygiedig i Aelodau'r Pwyllgor yn cynnwys y polisi gwaharddiadau newydd ar gyfer ymgynghori.
8	**DIWEDDARIAD LLYWODRAETHU AC YMGYNGHORIADAU** (Tudalennau 335 - 368)
	Pwrpas: Rhoi diweddariad i Aelodau'r Pwyllgor ar faterion perthnasol i lywodraethu.

9 **DIWEDDARIAD GWEINYDDU PENSIWN/ CYFATHREBU** (Tudalennau 369 - 404)

Pwrpas: Darparu'r wybodaeth ddiweddaraf i Aelodau'r Pwyllgor mewn perthynas â materion gweinyddu a chyfathrebu.

10 **DIWEDDARIAD AR FUDDSODDI AC ARIANNU** (Tudalennau 405 - 476)

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

11 **DIWEDDARIAD AR YR ECONOMI A'R FARCHNAD A'R STRATEGAETH FUDDSODDI A CHRYNODEB RHEOLWYR** (Tudalennau 477 - 516)

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 517 - 532)

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 cyhoedd

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 y cafodd ei diwygio). Mae budd y cyhoedd wrth ddal y wybodaeth yn ôl yn gorbwyso'r diddordeb mewn datgelu'r wybodaeth.

13 **PARTNERIAETH PENSIWN CYMRU** (Tudalennau 533 - 618)

Pwrpas: Derbyn y meini prawf gwerthuso ar gyfer caffael gweithredwr Partneriaeth Pensiwn Cymru i'w gymeradwyo, a darparu eitemau preifat ar y rhaglen gan Gyd-bwyllgor Llywodraethu PPC ac unrhyw faterion eraill sy'n gysylltiedig â chronfeydd preifat.

Mae'r eitem a ganlyn yn cael ei hystyried yn eitem eithriedig yn rhinwedd Paragraff(au) 14 Rhan 4 Atodiad 12A o Ddeddf Llywodraeth Leol 1972 (fel y cafodd ei diwygio). Mae budd y cyhoedd wrth ddal y wybodaeth yn ôl yn gorbwyso'r diddordeb mewn datgelu'r wybodaeth

14 **AILSTRWYTHURO ARFAETHEDIG Y TÎM GWEINYDDOL** (Tudalennau 619 - 640)

Pwrpas: Darparu gwybodaeth gefndir a dadansoddiad o lif gwaith i Aelodau'r Pwyllgor, er mwyn cefnogi'r cynnig ar wneud newidiadau i gyllideb a strwythur y tîm Gweinyddu Pensiynau.

15 <u>CYFARFODYDD YN Y DYFODOL</u>

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

Dydd Mercher 29 Tachwedd 2023
Dydd Mercher 28 Chwefror 2024
Dydd Mercher 20 Mawrth 2024
Dydd Mercher 19 Mehefin 2024

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

CLWYD PENSION FUND COMMITTEE
21 June 2023

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held remotely via Zoom at 9.30am on Wednesday, 21 June 2023.

PRESENT: Councillor Ted Palmer (Chairman)
Councillors: Dave Hughes, Jason Shallcross, Antony Wren

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

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

APOLOGIES: Cllr Sam Swash (Flintshire County Council), Cllr Gwyneth Ellis (Denbighshire County Council)

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

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Fund), Karen Williams (Pensions Administration Manager), Alison Murray (Alternate Independent Adviser, Aon), Sandy Dickson (Investment Adviser – Mercer), Ieuan Hughes (Graduate Investment Trainee), and Morgan Nancarrow (Governance Administration Assistant – taking minutes).

Guest speakers presenting comprising
Aiden Quinn (Russell Investments), James Zealander (Link Fund Solutions)

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

The Chair invited attendees to declare any potential conflicts of interest that they may have in relation to the Fund, other than those already recorded in the Fund's register.

There were no declarations of interest.

2. **APPOINTMENT OF VICE CHAIR**

Following nominations by the Chair and Cllr Shallcross, the Committee reappointed Cllr Dave Hughes as 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 (JGC) for the Wales Pension Partnership (WPP).

3. **MINUTES 29 MARCH 2023**

The minutes of the meeting of the Committee held on 29 March 2023 were agreed.

RESOLVED:

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

4. **POOLING UPDATE**

Mrs Fielder introduced this item with a brief overview of the report, highlighting:

- An additional objective for the WPP business plan had been requested by the scheme member observer at JGC on 29 March, which the Fund was now being asked to approve.
- The Fund was also being asked to approve changes to the Scheme of Delegations to Officers to reflect that the Fund has allocators through WPP, and that WPP now make the majority of investment decisions on the Fund's behalf. This includes private markets decisions that were previously delegated to the Head of the Fund. There was also an amendment regarding the administration policy.
- The WPP operator procurement process is ongoing and approval of the scoring criteria for this is a reserved matter for constituent authorities, so will be brought to Committee in August, after discussion at JGC in July.

Mr Zealander presented an update from Link Fund Solutions to the Committee, covering:

- The role of Link in relation to WPP, Russell Investments and Northern Trust.
- An update on Waystone's acquisition of Link which was on track to go live on 1 October.
- Link's governance structure and oversight core principles, which will remain in place throughout the acquisition process.
- The launch of the WPP Sustainable Active Equity Fund on 20 June 2023.

Mrs McWilliam asked when the Fund will hear more about the sale of Link Fund Solutions, and given the expectation that Pension Funds will be unaffected by the transition of ownership, she asked whether any work had been done to ensure that the WPP Business Plan can still be delivered in line with both the timescales and the needs of the Funds. Mr Zealander explained that WPP, Link and Waystone's solicitors were currently working on the novation of contracts and an agreement was expected to be reached within the week. Following this it was expected that the constituent authorities will be asked to sign this off within the next fortnight. He also clarified that Link had been assured that the WPP roadmap would be unaffected, and there will be no fundamental changes to the business or senior management team within the first 12 months, to avoid impact on systems and controls.

The Chair then handed over to Mr Quinn to present the update from Russell Investments.

Mr Quinn explained that the launch of the WPP Sustainable Active Equity Fund which followed 18 months of work with the WPP and subgroups, meant the WPP now had ten sub-funds available across the liquid asset classes. The WPP were also in the process of building its private markets programme.

He gave an overview of the sub-funds the Fund invests in, which covered:

- WPP Global Opportunities Equity Fund, from which Clwyd will be transferring all assets across to the WPP Sustainable Active Equity Fund. He provided details of the sub-fund's performance since inception, and how varied investment styles were incorporated into the construction of this portfolio. A similar approach had been used in the construction of the sustainable sub-fund in order to deliver excess returns over time while also considering sustainability.
- WPP Emerging Markets Equity (EM) Fund, including the benefits of investing in emerging markets, and a breakdown of sector and regional allocations. He explained the purpose of the EM sub-fund. Noting that a dedicated EM sub-fund is typically able to provide access to smaller and medium sized companies when compared to global equity sub-funds, and highlighted an example of how this is achieved through Bin Yuan, a specialist manager based in China with a strong focus on sustainability. He also explained the EM sub-fund's decarbonisation aims and strategy, and a summary of the sub-fund's performance to date.

Mr Hibbert commented that an important aspect of emerging markets is having people 'on the ground' in the factories, able to monitor ethical practices to ensure that nothing is going wrong in order to drive profits. He asked how much Bin Yuan can ensure this. Mr Quinn agreed and explained that Bin Yuan's team is entirely based in China allowing them to engage with companies.

Mr Hibbert commented that the Fund does not have a physical ability to verify that companies are operating responsibly, and asked how this is scrutinised. Mr Quinn agreed that this is the key criticism of global investment managers, and highlighted this as the reason for adopting Bin Yuan as a dedicated specialist able to travel, visit factories and meet with suppliers, and who have a sustainability framework well ahead of other managers in China as well as most managers globally in EM, including its commitment to net zero.

Mr Hibbert raised concerns about geopolitical instability around China and Taiwan, and the wider emerging markets regions. Mr Quinn noted that many managers are scaling back on investments that are geopolitically exposed, but that the smaller domestic companies are less exposed to this instability compared to multinational investments. He noted that managers are acknowledging the need to reach an amicable solution particularly between China and Taiwan due to the potential impact on EM and the wider global markets.

Mr Quinn continued to go through the sub-funds, highlighting:

- The Sustainable Active Equity Sub-fund, including how Environmental, Social and Governance (ESG) investing is considered and incorporated by different products, Russell's criteria for sustainable products, and details of the sub-fund's net-zero goal and interim steps.

- Active ownership including proxy voting, engagement and the roles of Robeco, Russell and the underlying managers. Russell will be monitoring and reporting their own engagements and those of the underlying managers for all the WPP sub-funds, and will also provide ESG reporting for the sustainable sub-fund.
- The WPP Multi-Asset Credit Fund (MAC), including how MAC adopts managers specialising in the various underlying fixed income asset classes, and its performance in relation to its goals and the impact of rising interest rates and widening credit spread over 2022.
- Key areas of focus for the future based on the WPP's recent sustainability preferences, including investigating more sustainable fixed income, and the exclusion of companies that violate UN Global Compact Principles.
- Details of the WPP Global Private Credit Fund which was launched in April 2023 and which the Fund will be committing to.

Mr Hibbert asked whether the WPP Sustainable Active Equity Fund falls outside of the WPP stock lending policy. Mrs Fielder noted that the decision for stock lending on the sustainable sub-fund has not been decided yet, and the Fund will be pushing for this not to be included in the stock lending. Mr Zealander confirmed that this is not currently included and will not be unless all authorities approve that decision.

With reference to page 73, Cllr Wedlake asked regarding MAC and given volatility in the markets, which events are likely to push the Fund up along credit rate risk or up interest risk. Secondly, he commented with reference to page 70 stating "less than 40% of assets to be net zero or aligned to net zero" that there is a difference between net zero and alignment to net zero, and asked why there are not targets for both and what is the most likely outcome given current trends of the proportion of assets being net zero compared to those aligned to net zero.

Mr Quinn explained regarding the second question that companies not currently aligned may seek alignment over time, and that there is a constant monitoring of those companies to scrutinize those who are not aligning. He also noted that the data only reflects 50% of the holdings, and dynamics will change as scope 3 emissions data becomes available. There is a need for the sub-funds to grow with the data and frameworks, to seek that alignment over time.

With respect to Cllr Wedlake's first question, Mr Quinn explained that the high yield credit has the most exposure to credit markets, but that it is difficult to look at it in isolation. Looking at securitised credit, it has less exposure to credit markets but does have exposure to 'pockets' and has its largest exposure to US consumers' loans – so if delinquencies rise due to recession, these under-perform while the wider credit markets may not be affected. In this sense, diversity is the point of MAC as although it typically performs at two-thirds of the return of equity, it does so with lower volatility, introduces diversification to the portfolio and helps the overall risk adjusted returns. A future credit event would impact MAC less dramatically than equity markets, giving investors a level of insulation from market events.

Cllr Wedlake noted that securitised credit is most likely to move against the Fund currently given global conditions, but there is a reasonable expectation that the remainder of the sub-fund is still likely to outperform equities and manage risk. Mr Quinn agreed with this summary.

Mr Hibbert asked regarding the sustainable development goals (SDG), if it is possible to provide a profile of how the fund is aligned with goals, to gauge the Fund's impact and where it is directed. Mr Quinn confirmed that this would be provided once the sub-fund is launched. He commented that Russell will use an independent provider who have built a methodology to appraise companies' alignment with SDGs. This data will be used for reporting as well as portfolio management. Mr Dickson clarified that this SDG reporting will only be provided for the WPP Sustainable Active Equity Fund and is not currently available for the other sub-funds.

RESOLVED:

a) The Committee approved the WPP objectives within the WPP Business Plan 2023/24 to 2025/26.
b) The Committee approved the updated Delegation of Functions to Officers to recognise WPP's role in relation to investments within the pool and that Officer delegations are limited to investments outside of WPP, and to change the delegation for Voluntary Scheme Pays Policy to be consistent with other administration policies.
c) The Committee noted the update on other pooling matters.
d) The Committee received and noted the presentation from the WPP Operator and Investment Management Solution Provider.

5. GOVERNANCE UPDATE AND CONSULTATIONS

Ms Murray of Aon talked the Committee through a summary of equality, diversity and inclusion (EDI) guidance recently issued by the regulator. She explained some key points of the guidance and TPR's view that harnessing diverse views can help scheme managers in their decision-making and understanding and mitigating risk. The guidance recommends that schemes should adopt an EDI policy, and while some of the considerations in the guidance have already been addressed within the new Communications Strategy, Ms Murray confirmed that such a policy will be brought to a future Committee meeting.

Mr Hibbert commented that he had not read the full guidance, and asked whether the Committee and Board are expected to reflect the membership, and what the regulator expects them to make progress towards. Ms Murray explained that while the regulator's guidance is high level and does not give specific objectives, it does mention that a scheme with a high proportion of young, active members should have the same demographic represented among the trustee board. She noted that this needs to be balanced with practicality of implementing this considering how Committee appointments are made.

Mr Hibbert noted where the guidance suggests fixed term appointments for scheme member representatives to ensure diversity of representation, that it takes a long time to train for the role appropriately. Mr Hibbert also noted that he has previously criticised WPP who have a two-year fixed term for non-voting scheme member representatives at JGC, and would have similar concerns if a time restriction applied to the scheme member representative on the Committee, particularly where those limitations do not apply to other Committee members. He also noted the need to consider that there may be a significant body of work behind the appointment process in order for the nominating bodies to attract the diversity of people needed to meet EDI aims. Ms Murray agreed that from a governance perspective continuity is a key concern for boards and committees, and particularly around training and commitment. The overall governance objective is to ensure appropriate decisions are made by those with the right knowledge and skills, and while EDI should play a role in this, it needs to be balanced with other factors such as continuity, for example having fixed term appointments staggered to avoid appointing several new members at the same time.

Mrs McWilliam took Committee through the other key points in the report, including:

- An update on the Pension Board membership. She expressed her gratitude for the time and commitment of both the Board's employee representatives, Mr Steve Jackson who had agreed to continue in his role for a further two years, and Mr Steve Gadd who would be leaving the Board. Work is ongoing to fill the new vacancy in the Board.
- The new format of the Annual Joint Consultative Meeting (AJCM) consisting of a set of video recordings and a drop-in session for one-to-one discussions for employer and employee representatives to engage on 7 December.
- The training needs analysis which is a requirement of the knowledge and skills policy. The Committee were asked to complete the electronic survey when this is circulated, noting that paper copies can be provided on request.
- External training opportunities, including the LGA fundamentals training which is particularly aimed at newer members. Mr Hibbert commented that he had attended this course twice in past years and would highly recommend it as an opportunity for Committee members to improve their understanding of key issues.
- The accountant post which had now been filled, beginning on 24 June.

Cllr Wedlake asked if there would be more training added to the plan following the Training Needs Analysis, and Mrs McWilliam confirmed this.

The Vice Chair gave his apologies for the essential training on 2 August.

RESOLVED:

The Committee considered and noted the update.

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

That the press and public be excluded for the following item by virtue of exempt information under Paragraph(s) 18 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

6. GOVERNANCE UPDATE AND CONSULTATIONS (APPENDIX) - CONFIDENTIAL

The Chair asked for any comments or questions relating to this item of the agenda, of which there were none covered in private.

7. PENSION ADMINISTRATION/COMMUNICATION UPDATE

Mrs K Williams took the Committee through the administration and communications report, providing updates on:

- The McCloud remedy including the McCloud working group, and the open DLUHC consultation.
- The delivery of the National Pensions Dashboard which has been delayed. The impact of delays on staging and onboarding dates is unclear, so the Fund is continuing preparations as communicated to the Committee at past meetings.
- Workforce, including changing the newly appointed project team Principal Pensions Officer from a job share to a single role due to resourcing issues, as well as backfilling new vacancies and the current recruitment drive.
- Results of the member satisfaction survey and the employee focus groups for which there were 73 volunteers, and the employer survey.

Mr Hibbert asked how the trade union challenge to the cost of McCloud being met by employers and members had progressed. Mrs Williams did not have an update to hand but will look into this and provide an update to Committee.

Cllr Wedlake asked if it is possible to compare the survey responses to previous surveys, and Mrs Williams confirmed that with the exception of last year's results, previous survey results have been published in the corresponding annual reports.

RESOLVED:

The Committee considered and noted the update on administration and communication matters.

8. **INVESTMENT AND FUNDING UPDATE**

Mr Hughes presented this item, highlighting:

- Transition of around £130m of assets from the global opportunities fund with an additional £65m of cash to the sustainable global active equity sub-fund. The allocation to this fund will be increased to the target allocation of 15% of total assets (c.£330m).
- Climate reporting progress, including TCFD and UK stewardship code.
- The actuarial valuation report and certificate were signed on 30 March with employer contributions effective from 1 April.
- The draft ISS will be taken to August committee for approval following the training day on 2 August.
- An update on the various private market allocations.
- Delegations and cashflow forecasting.

Mr Hibbert asked if there was any update regarding Robeco voting with management to explore new oil fields rather than extracting from existing fields, as Mrs Fielder had agreed to discuss this with them. Mrs Fielder explained that there was no update but that the Fund has several questions to ask of Robeco at the RI subgroup meetings. She also noted that WPP will be hosting a training session in the coming months on voting and engagement, which Robeco will be involved with.

Cllr Wedlake asked for clarification on whether Robeco close their engagements when targets are set, rather than when targets being monitored are reached. Mrs Fielder explained that Robeco's engagements are updated throughout a three-year cycle. Robeco's role is to provide engagement information, and at the end of the three-year cycle, if progress is not made, the WPP is responsible for making a decision on further action. The WPP RI Working Group is currently working with Hymans to produce an escalation policy for failed engagements, which both Mrs Fielder and Mr Latham have sought after for some time.

RESOLVED:

The Committee noted the update.

9. **ECONOMIC AND MARKET UPDATE AND INVESTMENT STRATEGY AND MANAGER SUMMARY**

The Fund's Investment Consultant, Steve Turner of Mercer explained that this report was to be taken as read, and highlighted some key messages:

- Inflation in the UK is persistent and higher than other countries, leading to higher interest rates. The Fund has gone through further interest rate triggers in the framework, so is now at 60% level interest hedging vs liabilities, compared to an ultimate target of 70%. The inflation hedging level remains around 40%. This meant the Fund could expect greater certainty of achieving the return needed to meet the pension liabilities over the long-term, leading to improved stability in the funding level.
- Return seeking markets in the year to date have been positive generally, especially in global equities where returns have been driven by a small number of companies involved with artificial intelligence (AI).
- MAC remained an attractive asset class for risk-adjusted returns, given the level of yields available.

Mr Hibbert commented that there are some wider criticisms of AI, and Mr Turner noted that the market appears to be looking towards productive uses of AI.

Cllr Wedlake noted that interest rates globally may fall sooner than in the UK, and asked if there is a downside to hedging that could affect the fund as rates reduce. Mr Turner noted that the US Federal Reserve typically leads other central banks, and tends to have a strong influence globally on markets. If yields fall, this is expected to be very positive for other asset classes, particularly equities and credit.

RESOLVED:

The economic and market update and performance was noted by Committee.

10. **FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK**

Mr Middleman opened with an overview of the Fund's financial health and status of triggers in the framework. The framework and flightpath was providing funding stability and was performing well under volatile market conditions. Whilst the absolute performance figures of the flightpath were negative, this was offset somewhat by the changing liabilities, meaning despite ongoing and upcoming challenges, the framework was functioning as intended and has remained resilient despite the challenging market conditions.

The Pensions Regulator (TPR) had issued guidance around LDI and collateral requirements, and the Fund was well within these tolerances and can withstand significant market movements.

While the funding position remains healthy, overall monitoring will continue, particularly with persistent inflation which directly impacts the pensions liability risk. This includes monitoring of collateral levels in conjunction with Insight as the LDI manager.

With reference to paragraph 1.05, Mr Hibbert requested more detail on where the Fund would look for more liquidity following divestment from the existing collateral waterfall. Mr Turner explained that there is potential scope to move assets from the TAA portfolio if needed. He noted that the Fund's minimum target for yield headroom is 3% and the Fund is currently approaching 6%, leaving a buffer, but liquidity is available to realise if needed. A thorough cashflow analysis will be discussed over the coming months to inform future planning for overall liquidity. Mr Hibbert asked if this decision making will integrate ESG issues, and Mr Turner explained that while cashflow tends not to be focussed on ESG issues, ESG considerations are integrated into all of Mercer's investment thinking and advice to the Fund.

Mr Middleman acknowledged Mr Hibbert's concerns for ESG relating to cash management. He explained that the ESG element of the flightpath is a core component and is being considered in how the hedges are supported taking into account all ESG objectives. This will be a decision for the Committee in due course on how it is delivered in the same way as the wider discussions on Responsible Investment. However the Fund will need to be mindful of the implementation side as implementation needs to be appropriate and practical to achieve the overall objectives.

RESOLVED:

The Committee considered and noted the contents of the report.

11. **FUTURE MEETINGS**

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

- Wednesday 30 August 2023
- Wednesday 29 November 2023
- Wednesday 28 February 2024
- Wednesday 20 March 2024
- Wednesday 19 June 2024

RESOLVED:

The Committee noted the upcoming Committee dates.

The Chairman thanked everyone for their attendance and participation. The next formal Committee meeting is on 30 August 2023. The Chair also took the opportunity to highlight the upcoming essential training session on Responsible Investment on 2 August, which will be held in person at County Hall. Analysis will be circulated ahead of the training.

The meeting finished at 11:45am.

……………………………………

Chairman

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
Report Subject	Clwyd Pension Fund Annual Report and Accounts 2022/23
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

LGPS Regulations require the Clwyd Pension Fund (the Fund) to publish an Annual Report before 1 December 2023 and set out what must be included. CIPFA best practice guidance provides further advice to funds on the content of the report.

The draft Annual Report for 2022/23 is attached for consideration at Appendix 1. The Annual Report includes the Fund's draft Statement of Accounts.

Audit Wales has prepared an audit plan for 2022 for the Fund (attached at Appendix 2 to this report) covering the work they will carry out and associated matters. Attached as Appendix 3 is a draft response to the Audit Enquiries Letter for 2022/23 from Audit Wales and the Committee are asked to note the response.

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

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 the Committee are asked to consider the draft Annual Report.

RECOMMENDATIONS	
1	That the Committee consider the Fund's draft Annual Report for 2022/23, including the draft Statement of Accounts.
2	That the Committee note and comment on the Audit Wales plan.
3	That the Committee note the Audit Enquiries letter and response.

REPORT DETAILS

1.00	**Annual Report and Audit Requirements**
1.01	**Annual Report** 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 Annual 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". The guidance has been followed wherever possible in the preparation of the report. The report covers the activities of the Fund during 2022/23. Against a backdrop of volatility and uncertainty in the financial markets (e.g. rising interest rates, continued high inflation etc.) dominated by the fallout from the "mini-budget" in September 2022, the Actuary undertook their triennial actuarial valuation, a key outcome of which is to set contribution rates for employers from 1 April 2023 onwards. In spite of the volatility during the year, the Fund has maintained a position of full funding and has continued to operate in a secure and efficient way, with the needs of members and employers being met effectively. This has been helped by the return to the office for many officers over the year as part of hybrid working arrangements introduced following the COVID-19 pandemic. 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 2022/23. The summary is supported by more detailed reports from the Fund's partners and senior officers. These are reports: - On the governance of the Fund, the training of Committee and Board members, and risk management - From the Fund's Independent Advisor - From the Pension Board - On the administration of the Fund - From the Fund's actuary - From the Fund's investment consultants - On the Fund's financial activity In addition, the Fund's Statement of Accounts and Annual Governance Statement are included in the Annual Report. Key features of the Annual Report include: **Governance** - Five new elected members of the Committee - Induction and other training undertaken **Funding and Investments** - Successful outcome of the actuarial valuation

	- Maintaining a fully funded position despite a challenging environment - A review of the Investment Strategy and continuing focus on sustainable investments. **Administration and Communication** - A new Communications Strategy to enhance members' and employers' experience. - Maintaining administration performance, despite continuing increases in case numbers and key projects relating to regulatory changes such as McCloud and the National Pensions Dashboard. - Ongoing recruitment and retention challenges. 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 Annual 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 Annual Report.
1.02	**Consideration, Audit and Approval of the Annual Report** The Annual Report is provided in draft format for Committee consideration and remains subject to audit. Colleagues from Audit Wales have indicated that the audit is likely to commence in October. The final version of the report will also be updated, where appropriate, to meet accessibility requirements. The Fund is required to have an audited Annual Report published before 1 December. The Committee will be asked to approve the audited Annual Report and Accounts at their November meeting. Attached as Appendix 2 to this report is the Audit Plan which explains the extent of the external audit, key financial risks considered by the auditors, other audit functions carried out, the fee for the audit, the members of the audit team and the timetable for the audit. The Committee are asked to note and comment on the Audit Wales plan. Audit Wales will present the plan at the meeting. Attached as Appendix 3 is the Audit Enquiries Letter for 2022/23 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. The Committee are asked to note the response.

2.00	**RESOURCE IMPLICATIONS**
2.01	Proposed fees charged for the audit work for Clwyd Pension Fund are included in the Audit Wales Plan at Appendix 2.

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

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

5.00	**APPENDICES**
5.01	Appendix 1 – Draft Annual Report 2022/23 Appendix 2 – Audit Wales Plan 2022/23 Appendix 3 – Audit Enquiries letter 2022/23
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) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (b) **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 (c) **CIPFA – Chartered Institute of Public Finance and Accountancy –** professional institute for accountants working in the field of public services (d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of

Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund

Clwyd Pension Fund

Annual Report

2022 – 2023

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Appendix 9 - Governance Policy and Compliance Statement.........To be inserted into final.

Appendix 10 - Funding Strategy Statement....................................To be inserted into final.

Appendix 11 - Investment Strategy Statement................................To be inserted into final.

Appendix 12 - Communication Strategy Statement.........................To be inserted into final.

For best practice documents, please go to:
https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/

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

Section 1

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Introduction to the Clwyd Pension Fund Annual Report 2022/23

Welcome to the Clwyd Pension Fund (the Fund) Annual Report for 2022/23.

The report covers in detail the activities of the Fund during 2022/23. This year saw the introduction of hybrid working for the team and it has been good to return to some "normality" after the period of remote working during/following the pandemic. 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.

In the markets, it has been another challenging year with ongoing financial market instability arising from continued high levels of inflation, rising interest rates emerging from the fall-out from the mini-budget in September 2022 and the ongoing conflict in Ukraine. Against the backdrop of the market turmoil, the Actuary has undertaken their triennial valuation assessment to set contribution outcomes for employers for 2023/2026. I am pleased to confirm that the valuation showed a fully funded position and despite the market turmoil over the year, the risk management and governance frameworks established by the Fund have ensured the Fund has remained resilient to these external factors and therefore the fully funded position has been maintained.

We will continue to seek to consolidate and build on this position and work is already underway in this regard with a new Strategic Asset Allocation having been agreed towards the end of 2022/23 and implemented after the year end.

I would like to thank all those involved in the governance and management of the Fund for their continuing hard work and dedication.

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

Cllr Ted Palmer

Chair of the Clwyd Pension Fund Committee

Section 2

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Summary by the Head of Clwyd Pension Fund

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

Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund and delegates responsibility for running the Fund to the Pension Fund Committee. The work of the Committee is supported by a Pensions Advisory Panel. In addition, a Pension Board, chaired by the Fund's Independent Advisor, assists the Committee in ensuring compliance with legislation and the Pension Regulator's requirements, in addition to ensuring efficient governance and administration of the Fund. The Committee, Advisory Panel and Pension Board have again continued to function effectively during 2022/23 through virtual meetings and a move to hybrid meetings has begun.

The Fund is required to produce an Annual Governance Statement and this is found in 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 face, are often as a result of events outside the Fund's control. This was evident in the risks arising from the "mini-budget" in September 2022 (and prior to this, 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.

The Governance, Training and Risk Management Report, the Independent Advisor Report and the Pension Board Annual Report are found in Appendices 1-3 respectively in this report.

Funding

Over the year, the Actuary undertook their triennial valuation assessment with an effective date of 31 March 2022. The results of the valuation showed a material improvement in funding level, relative to that as at 31 March 2019, from 91% to 105%. This improvement enabled employer contribution requirements, on average, to be reduced following a consultation exercise with employers on the new Funding Strategy Statement and valuation outcomes. New contribution rates for employers covering the period 1 April 2023 to 31 March 2026 were certified by the Actuary in March 2023. The outcome was well received by all stakeholders as it allowed for some budgetary pressures to be eased.

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. Whilst the extreme market events seen during the year, following the "mini-budget" in September 2022 posed many challenges for the Fund, the governance structure in place behind the Flightpath Strategy enabled quick decisions to be taken to increase the certainty of the Fund's risk/return profile at acceptable levels of cost.

This Flightpath Strategy will continue to be monitored and revised during the year ahead to ensure its continuing effectiveness.

Future challenges in respect of funding include:

- Maintaining the strong funding level position and managing the sustainability/affordability of contributions for employers,
- continuing to manage the impact of a challenging global economic outlook, in particular high UK inflation and rising interest rates, through the Flightpath Strategy and wider portfolio,
- considering the impact of climate change on the long term funding, building on the initial analyses undertaken as part of the 2022 valuation and the changes implemented under the Fund's Responsible Investment policies.

Overall, despite the volatility during the year the funding position was estimated to be 104% as at 31 March 2023. The funding position will continue to be monitored as part of the governance and oversight policies in place.

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

Investment

Investment activity operates within the objectives defined by the Investment Strategy Statement which was reviewed and updated during 2022/23. The Fund's investment objectives reflect the Fund's desire to incorporate sustainability and act as a Responsible Investor.

During 2022/23 there were periods of extreme market volatility, in particular following the "mini-budget" in September 2022. With bond yields increasing in order to combat rising inflation, the "mini-budget" saw yields increase further and had a significant impact in the valuation of the Fund's Cash and Risk Management Framework. Overall, as a result market conditions over the year, the Fund's investments returned -6.4%.

Key to the Fund's investment performance over the year was the negative return (-34.8%) from the Cash and Risk Management Framework as referred to above. The impact of such returns was limited by the diversification provided by the investment strategy, including Private Markets (+10.1%) and Hedge Funds (+0.8%). The Fund's total equity mandates returned -2.2%, helped by the Fund's equity protection mandate. There were further negative returns from Multi-Asset Credit (-7.1%) and the Best Ideas Portfolio (-3.9%).

Given the volatility experienced in recent years, it's important to view performance in the context of the longer-term. Overall, the investments returned 9.5% per annum over the three years to 31 March 2023, compared to a benchmark of 7.5% per annum. The performance is also well ahead of the discount rate assumptions built into the Funding Strategy.

The Fund continues to support the pooling of LGPS assets, and has committed to using the WPP private markets sub-funds from April 2023. The Fund submitted its first Stewardship Report and achieved signatory status in February 2023 to the Financial Reporting Council's UK Stewardship Code.

The Fund has continued to progress significantly on work relating to the Responsible Investment Priorities in the Investment Strategy Statement (updated in 2023). In particular, the Fund continues to work towards its strategy (agreed in 2022) to achieve net-zero carbon emissions from its portfolio by 2045, with an interim target of carbon reduction of 50% by 2030. The Fund continues to deploy capital into sustainable and local investments.

Over the course of 2023/24, the Fund will be working towards establishing a framework specifically related to Responsible Investment, focusing on specific areas of exclusion, initially targeting listed equities.

Against the backdrop of continued market volatility and a changing economic outlook, the investment strategy was reviewed in 2022/23 with changes to the Strategic Asset Allocation being agreed in February 2023 and implemented post year-end. Key changes to the allocation revolved around a reduction in Emerging Market Equities and increase in Global Sustainable Equity. Also in relation to Private Markets, the Local/Impact allocation was increased which was funded by a reduction in the allocation to Hedge Funds.

Further details of the investment activity may be found in the Investment Policy and Performance Report which is Appendix 6 to this report. The current 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 (approved 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.

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,
- continuing the roll out of the i-Connect system, allowing employers to directly enter and update information to the Fund's database. At 31 March 2023, 99% of member information was being updated by employers using the i-Connect system,
- improving accessibility to the Fund's website, and the quality of the website generally, including the introduction of editable forms (that can be completed by members online), the creation and uploading of explanatory videos, and also updates in early 2023 to reflect the Fund's rebranding,
- working closely with employers on compliance statements and McCloud data requirements through the Employer Liaison Team.
- collection, verification and updates to the pension system of historical data from employers as part of the McCloud Programme. The team expects to move onto benefit rectification once the underlying LGPS regulations are amended in autumn 2023.

The Fund continues to monitor performance using KPIs with six new KPIs being introduced during 2022/23. There was minimal impact on administration performance despite the significant resourcing challenges and unexpected additional work due to Government changes such as bringing forward the CARE revaluation date, ongoing McCloud requirements and employer decisions, such as backdated pay awards.

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

- continued 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 31 March 2023 were £2,200m. Total contributions for the year from members and employees together with transfers into the

Fund were £98m, with benefits and other payments to members £94m. Total management expenses paid by the Fund were £29m. Investment income was £34m and the market value of the investments fell by £198m. Overall, the total net assets of the Fund reduced over 2022/23. The Fund is committed to continuing to support the Wales Pension Partnership with the intention of saving costs and improving returns on investments, and this will continue in 2023/24.

Over 2022/23, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2022/23 was lower than actual costs. Key variances against the budget during the year were underspends on consultant fees, IT, and employee costs due to vacant positions remaining unfilled.

Further details of the Fund's finances can 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/strategies-and-policies/

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

Overall, despite another challenging year, whilst the value of the Fund has fallen, the funding position and the service provided to our members and employers have been maintained. We will seek to continue to both consolidate and improve in 2023/24 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

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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.
- Anti-Fraud and Corruption Policy
- Cyber Strategy

Another key document is the Fund's three-year Business Plan. The version relating to 2022/2023 to 2024/2025 was approved at the Pension Fund Committee in March 2022.

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 Vice Chair May 2022
Flintshire County Council	Cllr Jason Shallcross	Appointed May 2022
	Cllr Ralph Small	To May 2022
Flintshire County Council	Cllr Antony Wren	Appointed May 2022
	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 Body Representative	Cllr Andrew Rutherford	
Member Representative	Mr Steve Hibbert	

Advisory Panel

Panel Members

Panel Members	
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson
Corporate Manager, People and Organisational Development (FCC)	Sharon Carney
Head of Clwyd Pension Fund (FCC)	Philip Latham
Investment Consultant (Mercer) (to March 2023)	Kieran Harkin
Investment Consultant (Mercer) (from March 2023)	Steve Turner
Fund Actuary (Mercer)	Paul Middleman
Independent Advisor (Aon)	Karen McWilliam

Clwyd Pension Fund Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representative	Steve Gadd (to July 2023)	√
Employer Representative	Steve Jackson	√
Scheme Member Representative	Phil Pumford	√
Scheme Member Representative	Elaine Williams	√

Investment Managers

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

Investment Managers	Address
BlackRock (to October 2022)	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Man Group	Riverbank House, 2 Swan Lane, London
Russell Investments (WPP)	Rex House, 10 Regent Street, London

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

Other Key Partners

Service	Address
Custodian: Bank of New York Mellon	160 Queen Victoria Street, London
Actuary and Benefit Consultants: Mercer Ltd	4 St Paul's Square, Old Hall Street, Liverpool
Investment Consultant: Mercer Ltd	1 Tower Place West, Tower Place, London

Service	Address
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) 702980
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 2022/23

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. Training continued to be provided to Members by virtual platforms, with plans to offer face-to-face training sessions in 2023/24. Some external conferences were held face-to-face or in hybrid format, and many providers continued to offer webinar training events which some of the Committee 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:

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

- Induction training – ensuring areas of identified individual training are completed within six months of appointment.

Actual performance in 2022/23 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 autumn of 2023 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 impacted the 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		Senior Officers	
	No	% attendance	No	% attendance	No	% attendance
Communications Strategy Review	6	100%*	4	80%	4	80%
Funding Considerations – the valuation	7	78%	5	100%	5	100%
Investment Considerations – investment strategy review including asset classes	7	78%	4	80%	4	80%
Investment Considerations – Private Markets (Mercer)	7	78%	5	100%	5	100%
TCFD Reporting (Mercer)	7	78%	2	40%	3	60%

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

In the majority of cases the target audience was achieved and attendance generally has been more consistent than in 2021/22, though there were fewer Hot Topic sessions in 2022/23 (5 compared to 7 in 2022/23).

General Awareness – Out of the combined 14 Committee and Board members, 9 (64%) completed at least one day of general awareness training in accordance with the policy, the same as in 2021/22. Of the five senior officers, 4 (80%) completed at least one training session with two (40%) completing at least one day.

Induction Training – Induction sessions were delivered for the 5 new Committee members within six months of appointment, and 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. Induction training has now been completed.

The following table details all the training provided to members of the Committee during 2022/23 to satisfy the requirements of the Knowledge and Skills Policy. This includes Committee meetings attended and relevant training sessions, conferences and seminars. Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board Annual Report.

Date	Event	Committee Members									Senior Officers				
		Cllr T Palmer	Cllr A Wren	Cllr A Wedlake	Cllr G Ellis	Cllr J Shallcross	Cllr S Swash	Cllr D Hughes	Cllr A Rutherford	S Hibbert	Gary Ferguson	Sharon Carney	Phil Latham	Deb Fielder	Karen Williams
	Meeting														
08 June 2022	Board Meeting Jun 2022												✓	✓	✓
15 June 2022	Committee Meeting Jun 2022	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
31 August 2022	Committee Meeting Aug 2022	✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓
30 September 2022	Board Meeting Sep 2022												✓	✓	✓
23 November 2022	Committee Meeting Nov 2022	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓
13 December 2022	AJCM								✓	✓		✓	✓	✓	✓
15 February 2023	Committee Meeting Feb 2023	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
01 March 2023	Board Meeting Mar 2023												✓	✓	✓
29 March 2023	Committee Meeting March 2023		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
	Hot Topic														
08 June 2022	Communications Strategy Review	✓	✓			✓		✓	✓	✓		✓	✓	✓	✓
24 August 2022	Funding Considerations - the valuation	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
05 October 2022	Investment considerations - investment strategy review including asset classes	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓	✓
18 January 2023	Investment considerations - Private markets (Mercer)	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓

		Committee Members									Senior Officers				
01 February 2023	TCFD Reporting (Mercer)	√	√		√	√	√		√	√			√	√	√
	General Awareness														
20 April 2022	Unison Forum									√					
26 May 2022	Room 151 (Property- Sustainability/ Levelling up)									√					
13 June 2022	PLSA Conference June 2022													√	
26 July 2022	Room 151(Housing - Income Strategies/ Inflation/ Build to Rent/ Impact)									√					
31 August 2022	National Pensions Dashboard	√	√			√	√	√	√	√	√		√	√	√
08 September 2022	LGC Conference September 2022	√						√						√	
01 October 2022	BlackRock Investment Forum									√					
18 October 2022	LGA Fundamentals Training Programme 2022									√			√	√	
01 November 2022	Mercer – Remember the 23rd Sept									√					
01 November 2022	BlackRock Evolving Portfolios									√					
01 November 2022	BrightTALK /Triodos – Outlook									√					
06 December 2022	LGC – Net Zero Infrastructure									√					
08 December 2022	LAPFF – S in ESG									√					
08 December 2022	LAPFF – Levelling Up Panel									√					
09 December 2022	LAPFF – Making Transition Just									√					
19 January 2023	LGA Annual LGPS Governance conference									√			√	√	
01 March 2023	Cashflow management												√		√

		Committee Members									Senior Officers				
30 March 2023	LGC Investment Conference	✓	✓			✓							✓	✓	
	Induction														
24 June 2022	Governance Training		✓	✓	✓	✓	✓								
20 July 2022	Investments & Flightpath training		✓	✓	✓	✓									
10 August 2022	Administration and communications		✓	✓	✓	✓	✓								
23 September 2022	Responsible Investment / Climate Training		✓	✓	✓	✓	✓								
28 September 2022	Actuarial/Funding, Accounting, Audit & Procurement		✓	✓	✓	✓									
28 October 2022	Pension Fund Cyber Security		✓	✓	✓	✓							✓		✓
	Other Wales Pension Partnership Training														
22 September 2022	WPP Private Market Allocators/ Active Sustainable Equities	✓	✓					✓		✓			✓	✓	
19 October 2022	WPP Governance & Administration / Roles & Responsibilities	✓	✓		✓	✓								✓	
05 December 2022	RI for WPP / Stewardship Code / TCFD Reporting	✓											✓		
13 February 2023	WPP stock lending	✓											✓	✓	
27 February 2023	WPP LGPS pools and collaboration	✓	✓					✓	✓				✓	✓	

For the first time, Senior Officer statistics have been included in the training performance statistics above, given the Policy only came into force during 2021/22. Not all of the above events have been made available to all Members and Senior Officers.

Risk Management

Background

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

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

Significant Risks

The next few years will continue to be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the risk register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which, as at March 2023, 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.

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 2023	Target Risk Status	Further Action
Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	Inappropriate or no decisions are made	Amber	Green	1 - Carry out training needs analysis after induction training
Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	Our legal fiduciary responsibilities are not met	Amber	Green	1 - Ensure appropriate due diligence process for investments with potential conflict (Welsh or local) 2 - Ongoing monitoring of FCC Climate Committee motion situation 3 - Continually ensuring PFC members receive professional regulated advice to inform if changes are appropriate
Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset pooling, levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Red	Amber	1 - Deliver final aspects of cybercrime risk mitigations into BAU 2 - Refresh and document business continuity assessments/ procedures 3 - Establish formal project for Pensions Dashboard 4 - Ongoing engagement with WPP in relation to the WPP OperatorRed 5 - Ongoing consideration of resource requirements to meet external demands

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	Services are not being delivered to meet legal and policy objectives	Red	Green	1 - Recruit to vacant administration, Fund accountant and trainee Fund accountant roles. 2 - Ongoing consideration of business continuity including succession planning 3- Action plan being developed for recruitment, retention, succession planning including consideration of future work levels

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
- Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented. - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	Red	Amber	1 - Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP 2 - Ongoing consideration of officer succession planning, including maintaining local investment knowledge
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Amber	Yellow	1 - Continue to monitor market conditions and respond through the trigger framework 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
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	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	Red	Orange	1 - Implement strategic RI priorities as detailed in the business plan, 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 the Fund's RI Policy and ambitions effectively via WPP

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades.	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Red	Yellow	1 - Ongoing recruitment of vacant posts 2 - Action plan being developed for recruitment, retention, succession planning including consideration of future work levels 3 - Ongoing training of recent recruits
Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters (including due to Covid-19)	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Amber	Green	1 - Implement new process for employers relating to service standards
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, backdated pay awards)	Unable to meet legal and performance expectations due to external factors	Red	Amber	1 - Ongoing consideration of the impact on resources of backdated pay awards, likely national changes and Pensions Dashboards

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
Communications are inaccurate, poorly drafted, insufficient or not received (including McCloud and potential exit cap)	Scheme members do not understand or appreciate their benefits	Yellow	Green	1 - Implement new communications strategy in line with 2022/23+ business plan
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	Yellow	Green	1 - Appoint pension dashboard ISP by summer 2023
System failure or unavailability, including as a result of cybercrime or resourcing constraints	Service provision is interrupted	Amber	Green	1 - Develop updated business continuity plan for CPF 2 - Implement remaining elements of cyber strategy

Appendix 2 - Independent Adviser's Report

Appendix 2 - Independent Adviser's Report Appendix

Annual Report of Karen McWilliam

AON

At a glance…

The Fund faced many challenges during 2022/23, from changes to the Committee and virtual meetings to:

- turmoil in financial markets,
- increased external interest in investments made by the Fund,
- the need to agree new employer contributions at a time of extreme pressure on budgets,
- the effect of delays in various national initiatives and associated uncertainty, and
- recruitment and retention challenges at a time of increased workflow.

The governance and risk management structure of the Fund has proved very effective in the face of these challenges, and I am delighted at the resilience the Fund has shown.

Areas of positive progress over the year include:

- new Committee members completing comprehensive induction training as they get up-to-speed on their roles
- successful completion of the actuarial valuation
- approving a new Communications Strategy to enhance members' and employers' experience
- excellent progress in the area of Responsible Investment, including drafting of the Fund's first TCFD report which led to a review of the Fund's approach to climate change within its investment strategy and becoming a signatory to the Stewardship Code
- maintaining administration performance, despite continuing increases in case numbers, and ongoing recruitment and retention challenges alongside key projects relating to regulatory changes.

So much has been achieved despite the difficulties faced, particularly with virtual Committee meetings, which are now being addressed. In my view the overall management and governance of the Fund continues to be in a very strong 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, many driven by national changes; against a backdrop of difficulties in recruiting and retaining staff (and potential retirements within the pensions team). Recent recruitment and the proposed review of the organisational structure are both extremely positive, as is the commitment and dedication of those involved, but training and retention of new staff and monitoring vacancies will be needed to ensure service standards can be maintained.

My role

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

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

Effective Governance

Key Benefits

Key benefits from having effective governance in place, include:

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

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

- **Direction** – having clear strategies and policies that also meet legislative requirements 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, to ensure effective and efficient delivery
- **Decisions** – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.

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

- the overall **governance** (i.e. management and decision making) of the Fund
- 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.

This annual report sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2022/23 (April to March). It also touches on some developments that have taken place after March 2023 and highlights some of the ongoing challenges the Fund faces.

Overall views

- The current **governance structure is well established and is working as intended.** It allows decisions to be made urgently where required and minimises the risk of inadequate governance during challenging times, such as the market turbulence experienced in the gilt market in late 2022.
- **Attendance at Committee, Board and Advisory Panel** meetings during the year has been very good. Some members expressed concern that virtual meetings and training sessions were less effective overall and more face to face meetings would be preferred. The Fund

has been working with the Council to ensure Committee meetings can be held in hybrid format in future, to enable those who wish to join face to face to do so, whilst not requiring members to attend in person in line with Welsh Government requirements. Training sessions have been in person events where possible.

- The **Pension Board** continues to play an important role in the governance of the Fund. The Board report (which can be found elsewhere in the Fund's annual report and accounts) summarises the work undertaken over the year, and demonstrates both the excellent partnership between the Board, Committee and Fund officers, and the benefits the Board brings to the overall management of the Fund.
- Those involved in the management of the Fund continue to demonstrate a strong understanding of potential **conflicts of interest**, and adherence to the Fund's Conflict of Interest Policy. I am not aware of any potential conflict situations that were not notified in accordance with the Fund's Policy.
- The **risk management framework** is embedded in the day-to-day management of the Fund. Risk management across all areas is considered regularly and forms a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and work hard to continuously develop robust internal controls where feasible.
- A wide range of **performance measures** is in place covering governance, administration, communications, investments and funding. During the year, further improvements were made to performance measures in relation to communications and responsible investing (e.g. carbon emissions). These provide assurance that issues can and will be identified in a timely manner, as well as enabling the Fund to evidence strong or improving performance in many areas. In addition, the annual review of Objective Measures for Governance Related Policies/Strategies was mainly very positive.
- The 2022/23 to 2024/25 **business plan** was approved in March 2022 and monitored throughout the year. The plan continues to be comprehensive and robust. Fund officers have done a tremendous job to deliver many of the projects and tasks in the plan, despite the uncertainties due to delays in many national initiatives.
- **Resourcing** continues to be an area of focus. I am delighted that the Governance Administration Assistant post was filled in early 2023 and the Principal Accountant role has also been filled (albeit after year-end). The Administration Team had an extremely successful recruitment drive at the end of 2022. Despite this, there continue to be vacancies throughout the team, and the high proportion of new recruits with little LGPS experience means reduced efficiency whilst training takes place. This meant there was an ongoing need to make greater use of consultants during 2022/23 to ensure the Fund's objectives and legal responsibilities continued to be met. Work is ongoing in relation to

recruitment, noting the challenges of the constraints of local authority pay structures and the limited number of people with the necessary knowledge.

Finally, I was delighted that Debbie Fielder, the Deputy Head of Clwyd Pension Fund and Karen Williams, the Pensions Administration Manager, were recognised at the 2022 Professional Pensions' Women in Pensions awards.

In the sections which follow I set out below observations on specific developments during 2022/23 under each of the key areas.

Governance

Key Achievements

- Exceeding the Fund's policy objectives in relation to knowledge and skills
- Formalising the role of the Head of Clwyd Pension Fund within the governance structure and Council's constitution
- Continuing to implement the Fund's Cyber Strategy working collaboratively with Flintshire County Council
- Delivery of comprehensive induction training to new Committee members

New Committee members

Following local elections in May 2022 the Fund welcomed 5 new members to the Pension Fund Committee. My impression is that they are already contributing positively to the governance of the Fund.

Constitution and Scheme of Delegation changes

Flintshire County Council's Constitution was updated to:

- formalise the role of the Head of Clwyd Pension Fund within the governance structure, including taking responsibility for most of the Pension Fund areas previously undertaken by the Chief Executive and
- reflect the replacement of the Chief Executive by the Corporate Manager, People and Organisational Development on the Advisory Panel.

In my view, these changes have worked very well, and the Panel continues to play an important role in the management of the Fund.

Progress against other key areas in the Business Plan

- **knowledge and skills**

The majority of the new Committee members completed a comprehensive suite of induction courses designed around the Cipfa Knowledge and Skills framework.

More generally, Committee members have continued to enhance their knowledge and understanding through attendance at internal and external training events. I am pleased to report that the Knowledge and Skills Policy objectives for attendance were met by members at both essential and desirable (or optional) training sessions. This represents a material time commitment but is fundamental to the good governance of the Fund.

- **business continuity and managing cyber risk**

The Fund has continued to implement its **Cyber Strategy,** working collaboratively with Flintshire County Council. External events over 2022/23 and since the year-end have reinforced the importance of having an effective approach to managing cyber risk in place and the Fund continues to ensure this is a key area of focus.

Work has also been ongoing to implement the key elements of the Fund's **Business Continuity** Policy and develop the Fund's business continuity plan.

- **review of appointment of Board members**

I was delighted that the appointments of Phil Pumford and Elaine Williams, the two scheme member representatives on the Board, were extended up to five years. Continuity is important for the smooth running of the Fund and their commitment to their roles has been, and continues to be, exemplary.

- **effectiveness survey of the Pension Fund Board**

A survey into the effectiveness of the Pension Fund Board was completed in 2022/23. There was an overwhelmingly positive response from Board members across areas such as information provided, knowledge, skills and understanding, administration of meetings and the governance structure. In response to feedback that virtual meetings were less effective overall, the format of Board meetings is now agreed on an ongoing basis, and the March 2023 meeting was held in person.

- **Review of Investment Consultant and Independent Adviser Contracts**

The break point for these contracts was 31 March 2023. For both contracts the Committee considered the options and agreed to extend the contracts for two years.

- **Review of governance related policies**

The Governance Policy and Compliance Statement were reviewed in February 2023 and a new Fraud and Anti-Corruption Policy was approved by the Committee in March 2023.

There were a number of items which were not completed due to delays nationally, including TPR's new General Code of Practice and the SAB good governance review. These have been carried forward into the 2023/24 business plan and I believe the Fund is already well placed in these areas.

Looking to the future:

Key governance-related tasks the Fund expects to address during 2023/24 include:

- A **Training Needs Analysis** to ensure training for the Pension Fund Committee and Board is appropriately customised to their needs and any skills gaps are identified.
- Reviewing the **two scheme employer appointments to the Pensions Board.** I am delighted Steve Jackson has been reappointed for a further two years. Unfortunately, Steve Gadd is stepping down from the Board so the Fund will be seeking a replacement. Steve has been a very valuable member of the Board since his appointment and I would like to thank him for his contribution and wish him well for the future.
- A review against **The Pension Regulator's (TPR's) New General Code.** Publication of the new Code, which will replace TPR's Public Service Code of Practice, was delayed from last year and is now expected to come into force in the autumn of 2023.
- Ongoing developments in **business continuity arrangements** and **managing cyber risk**. A lot of good work has already been done and the expectation is that these will both be fully integrated into business as usual by the end of 2023/24.
- Continuing work to ensure the sustainability of resourcing key areas for the Fund. This encompasses **succession planning** in light of planned retirements and **ongoing resource monitoring** given expected national changes/initiatives the Fund will need to address, alongside increasing business as usual workloads. The Fund has to work within Flintshire County Council's policies and changes to the team structure may be needed. Appropriate **training** will be required to ensure new recruits can fully contribute to the Fund's activities as soon as possible as well as to enhance retention. Training new staff is itself resource-intensive so also needs to be managed.
- Implementing the recommendations from the Scheme Advisory Board's **Good Governance review.** The Department for Levelling Up, Housing and Communities (DLUHC) is expected to publish a consultation in late 2023. The recommendations propose to extend the knowledge and skills and conflicts of interest requirements which currently apply to board members to committee members. They are also expected to require wider governance compliance reporting and perhaps an independent audit. Whilst it will be important to assess the Fund's approach against any new requirements, I expect the Fund to be well-placed given the work which has been done in recent years.
- The Fund's **Risk Policy** and **Business Continuity Policy** are both due for review during 2023/24. The Fund is also planning to develop a policy on Equality, Diversity and Inclusion following the publication of guidance by the Pensions Regulator in March 2023.

Funding and Investments (including accounting and financial management)

Key Achievements

- Review of the Funding Strategy Statement and completion of the Triennial Actuarial Valuation within the statutory timeframe, with excellent engagement with scheme employers
- Continued progress in relation to the Fund’s Responsible Investment strategy including drafting of a report in line with the principles of The Task Force for Climate-Related Financial Disclosures (TCFD)
- Acceptance as a signatory to the UK Stewardship Code and winning the Pension fund of the year award at the Environmental Finance’s Impact Awards 2022
- Effective operation of the Funding and Flightpath framework during the turbulence in gilt markets and knock-on effect on Liability Driven Investments

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

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

- **Review of the Funding Strategy Statement and Triennial Actuarial Valuation**

  The Committee approved a draft Funding Strategy Statement (FSS) in November 2022 and employers responded positively to the proposed strategy and flexibility offered in managing the sustainability of their contributions. The Triennial Valuation (including confirmation of employer contributions from 1 April 2023 to 31 March 2026) was signed off within the statutory timeframe of 12 months from the valuation date of 31 March 2022. I was really pleased to see such positive engagement from employers on what is an important exercise for the Fund and fundamental to its long-term financial security and financial risk management.

- **Review of Investment Strategy**

  Minor changes to the asset allocation were approved in February 2023 following completion of the actuarial valuation and advice from the Actuary and Investment Consultant.

- **Responsible investment**

  The Fund drafted its first report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2023. Reporting is not yet a requirement for LGPS funds but the discussions the draft provoked led to a review of the Fund’s approach to climate change within its investment strategy. This demonstrates the governance challenge of changes to Committee membership (where new members bring in a change in view) but in my view the Fund's governance framework has successfully enabled these new views to be considered and where appropriate acted on.

The Fund successfully applied to become a signatory of the UK Stewardship Code. The Code comprises a set of 12 'apply and explain' principles for asset owners and there is a significant amount of work both in meeting the Code's requirements and completing the application to become a signatory.

The Fund was also further recognised at the Environmental Finance's Impact Awards 2022, winning the Pension fund of the year award. My congratulations to everyone involved in all of these achievements.

- **Funding and Flightpath Framework**

The Fund is unusual, in terms of its LGPS peers, in having Liability Driven Investments (LDI), which means investing in assets which generate cash to meet (or "match") some or all of the benefit payments from the scheme. There were well-reported issues with LDI investments during the year due to turbulence in gilt markets and the material spike in gilt yields following the Mini Budget in late 2022, which adversely affected the financial position of some private sector schemes. I understand from the Actuary and Investment Adviser that the Fund's Funding and Flightpath Framework worked as expected during the year and provided the resilience needed to reduce the impact of the market turmoil, demonstrating the benefit of strong governance.

- **Pooling (WPP)**

Asset pooling in Wales, through Wales Pensions Partnership (WPP) is now well established and assets from the Clwyd Pension Fund have continued to be transitioned to WPP. I believe the Fund carries out appropriate due diligence on each transition, seeking advice from the Investment Consultant and Advisory Panel as required.

Fund officers (specifically the Head of Clwyd Pension Fund, Phil Latham, and the Deputy Head of the Fund, Debbie Fielder) and the Chair of the Committee (Councillor Ted Palmer) continue to do a great job representing the Fund at meetings of the Officer Working Group and subgroups, and Joint Governance Committee respectively. Particular areas of focus in 2022/23 included working with WPP on engagement with companies on environmental, social and governance matters, development of the sustainable equity sub-fund, and reporting on stock lending and voting. My impression is that the Fund continues to play a key part in the evolution of WPP due to the active contributions Fund representatives make and the time they commit.

During the year the Fund has monitored developments relating to the sale of the Pool's Operator, Link Fund Solutions and engaged with WPP to ensure the Committee and Board are appropriately briefed. This monitoring will need to continue, to understand the implications of the transition to Waystone Group as the expected new owner (assuming the required regulatory approvals are granted).

Looking to the future:

- From an investment perspective, refining and implementing the Fund's Responsible Investment priorities will remain the most critical element of work over 2023/24. It is a complex area and I am mindful of the demands from Welsh Government, pressure groups, employers and others to align the Fund's investment strategy with their views or to invest in particular initiatives. I am pleased at the progress which has been made in development of a framework for implementing investment decisions in relation to climate change and the engagement and constructive discussions at recent training sessions at which this has been discussed. I look forward to the conclusion of these discussions and approval of the revised Investment Strategy Statement.
- A consultation on proposals for updated pooling guidance and other changes to investments for LGPS was published by DHLUC on 11 July 2023. These include proposals to speed up the transition of assets to pools and associated reporting; a requirement to publish a plan to invest 5% of assets in local investments aligned to the Government's levelling up agenda; and a requirement to have an ambition for a 10% allocation to private equity. Whilst these are still proposals, the Fund will need to consider carefully how to implement any new requirements in due course, taking advice from its Investment Adviser and the Advisory Panel.
- The WPP's Operator contract with Link Fund Solutions (LFS) is due to expire in December 2024. WPP has already commenced the procurement process, and the appointment criteria are expected to be shared with the Welsh funds including Clwyd Pension Fund during 2023/24. I will provide governance advice and support to the Fund during the process as required as well as monitoring developments surrounding the sale of LFS.

Administration and Communications

Key Achievements

- Approval and implementation of a refreshed communication strategy to enhance member and employer experience
- Minimal impact on administration performance despite the significant resourcing challenges and unexpected additional work due to Government changes such as bringing forward the CARE revaluation date, ongoing McCloud requirements and employer decisions, such as backdated pay awards
- A smooth transition to a new enhanced payroll system in time for the April 2023 pension increase

2022/23 has seen a lot of work undertaken on **workload planning and recruitment**. A number of additional posts were approved due to the volume of work, including from external developments, such as McCloud, and internal developments such as backdated pay awards. A very positive response to the recruitment drive in late 2022 led to more suitable candidates than there were vacancies. I was particularly pleased that the Fund was able to make use of an urgent delegation to avoid missing the recruitment opportunity, resulting in an influx of diverse work experience within the team in January 2023. However there continues to be a small number of vacant positions (some due to recent resignations).

The **McCloud remedy programme** team has continued its work although continued delays in DLUHC's consultation response and draft LGPS regulations meant progress during 2022/23 fell short of what had been planned. A material amount of data to allow recalculation of benefits for the remedy period has been received due to excellent communication with employers and their engagement in the process. Fund members have been kept informed and I have been pleased to see ongoing regular reporting of the progress on this programme to the Committee, Board and Advisory Panel.

In relation to **day to day workloads**, there was no let up for the pensions administration team with nearly 35,900 administration cases in 2022/23 compared to 35,150 in 2021/22. Despite the continuing resourcing challenges, the team managed to broadly maintain performance over the year, with only a small increase in the number of outstanding cases. This is a remarkable achievement and testament to the commitment and hard work of the team.

Key performance indicators are monitored for the vast majority of day-to-day administration processes. Three different periods are measured and the results for 2022/23 are as follows:

- internal timescales for the administration team – 91% (increase of over 6% compared to 2021/22)
- legal timescales – 90% (no change compared to 2021/22)
- overall process time – 74% (increase of 4% on 2021/22).

It is really pleasing to see all areas either improving or staying the same, particularly given the recruitment challenges during the year.

The Fund recently ran a **communications satisfaction survey**. The results of this survey show that over 80% of members are happy with the communications they receive from the Fund with around 60% of the members rating their satisfaction either Good or Great. Employers were overwhelmingly positive about the format, wording and amount of detail included within the communications received.

Progress against other areas in the Business Plan

Good progress has been made in key areas of the Fund's business plan, where possible.

- **Preparation of Member Data for Valuation and Funding Reviews**

The Administration team met all timescales for submitting data to the Fund's Actuary for the Triennial Valuation. Feedback from the Actuary highlighted major improvements in the quality of the data compared to previous valuations, reflecting the benefits of employers submitting their data on a monthly basis via the i-Connect facility.

- **National Pensions Dashboard**

The main focus for the year was on data verification in advance of LGPS information being made available to members through dashboards. Karen Williams, the Pensions Administration Manager is also part of the national Pension and Lifetime Savings Pensions Dashboard Project Team.

- **Review of Communications Strategy**

The Fund carried out a fundamental review of its Communications Strategy. The new Strategy was approved by the Committee in June 2022 and aims to increase digital communications whilst ensuring communications are more inclusive by allowing for the diverse needs of stakeholders. It focusses on improving member experience and enhancing self-service, simplifying language and communicating more concisely, broadening delivery channels and developing a segmented approach to engagement. The Fund also launched its new logo and branding in April 2023, designed by the Fund's in-house Communications Team. I am really excited about the new Strategy and I am sure members and employers will notice improvements as it is implemented.

- **Review pensioner existence checking**

Improvements were made to how the Fund verifies the authenticity of overseas pensioners and dependants. Given the increase in cybercrime and other fraud, continually improving processes such as this is important.

- **Conduct appropriate procurement for administration system**

Following a market review, Heywood, the Fund's administration system provider, was reappointed until February 2028, subject to annual monitoring. This continuity is essential given the challenges of implementing the McCloud remedy and the national Pensions dashboard

Looking to the future:

- Implementing the **McCloud remedy** remains a major programme of work, the majority of which will fall to the Pensions Administration Team. It will need to be well managed and resourced, with robust quality checks and efficiencies through bulk processing where possible. Unfortunately, the operational cost of the work including the additional resources, will be significant (and unavoidable), despite being likely to benefit only a small proportion of scheme members.

- The final connection deadline of the **National Pensions Dashboard** for all pension schemes has now been moved to 31 October 2026. It is still not clear whether the public sector scheme staging date of 30 September 2024 will remain, but in any case implementing the Dashboard will be another major project requiring significant resource from Clwyd Pension Fund in the coming years.

- I look forward to increased engagement from members as the Fund continues to implement its new **Communication Strategy. Plans include establishment of focus groups** and new videos, with an excellent video on how to register for member self-service already available to view on the Fund's website.

- 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. Recruitment and retention will be critical to this, including the review of the Administration Team's structure which will be carried out during the summer of 2023.

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 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.

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 2022 to 31 March 2023.

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 the 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 rather than decision-making role. The Clwyd Pension Fund Board considers our role to be about partnership. We work closely with the Pension Fund Committee (the decision-making committee for the Fund) and Fund officers in the hope that the questions we ask, and the challenge and advice we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.
- Board members undertake their roles for a period of between three and five years, and may be reappointed for future terms if selected again through the recruitment process.

Membership, meetings, training and attendance

Our Board membership during 2022/23 is shown in the table below. During the year we held three Pension Board meetings (in June 2022, September 2022 and March 2023). The March 2023 meeting was in person and the other two were virtual. Attendance was as follows:

		June 2022	September 2022	March 2023
Mr Phil Pumford	Member Representative	✓	✓	
Mrs Elaine Williams	Member Representative	✓	✓	✓
Mr Steve Jackson	Employer Representative	✓	✓	✓
Mr Steve Gadd	Employer Representative	✓		

		June 2022	September 2022	March 2023
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.

As members of the Pension Board, we have all committed to meeting the requirements of the Fund's Knowledge and Skills Policy, which also ensures we meet the legal requirement to have the right level of knowledge and skills to carry out our Pension Board roles. We attended a range of events and training in 2022/23 to complement induction training undertaken on appointment. We are also invited to attend the Pension Fund Committee meetings and their training events along with training events arranged by Wales Pension Partnership.

The Fund specifies 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 meetings, hot topic training and other events is shown below:

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
Committee Meetings					
June 2022		✓	✓		✓
August 2022			✓		✓
November 2022			✓		✓
February 2023		✓	✓		
March 2023		✓			✓
Other Meetings					
Annual Joint Consultative Meeting	✓	✓			✓
Hot Topic (essential training)					
Communications Strategy Review	✓	✓	✓		✓
Funding considerations	✓	✓	✓	✓	✓
Investment Strategy	✓	✓	✓		✓
Private Markets	✓	✓	✓	✓	✓
TCFD Reporting			✓		✓
General Awareness					

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
Barnet Waddingham Pension Board Event			✓		
LGC Conference March 2023	✓				
National Pensions Dashboard			✓		
Other Wales Pension Partnership Training					
WPP Private Market Allocators/ Active Sustainable Equities			✓	✓	✓
WPP Governance & Administration / Roles & Responsibilities	✓		✓		
RI for WPP / Stewardship Code / TCFD Reporting			✓		
WPP LGPS pools and collaboration			✓		
WPP stock lending					

What has the Pension Board done during 2022/23?

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), including for employers, and data improvement activity,
- management of cyber security, business continuity and pension scams,
- reviewing the Fund's risk register and breaches log,
- receiving updates on all compliments and complaints, and
- monitoring of our allocated budget.

Key governance matters that we discussed during the year included:

- **Committee and Board membership**. We were delighted that Phil Pumford and Elaine Williams were re-appointed as member representatives, ensuring continuity at a time where there were material changes in the membership of the Pension Fund Committee following local elections. Karen McWilliam was also reappointed as the Independent

Chair. The Board were also kept informed of the impact of the changes to the Committee membership following the May local authority elections (with over 50% change in membership) and the induction training that had been provided to the new members. Unfortunately, Steve Gadd is stepping down from the Board so the Fund will be seeking a replacement. Steve has been a very valuable member of the Board since his appointment and I would like to thank him for his contribution and wish him well for the future.

- Regular updates on **recruitment and retention** within the teams. The recruitment to the Governance Administration Assistant, Communications Officer and various vacancies was very positive but ongoing vacancies within both the Finance and Operations teams continued to be of concern. The Board put a request to the Advisory Panel to work with Flintshire County Council to ensure that the Fund remained able to recruit the staff they need. We were pleased with the initial progress made in succession and workforce planning, including initial work on perceived increases in certain workloads and hearing plans to create a new project team within Operations, but retain a watching brief.
- **Management of cashflows**. We received training from the Deputy Head of the Fund on how the Fund manages its cashflows and the risk mitigation measures in place. This is an increasingly important area as benefit payments exceed contribution income and there is the risk of loss of assets via fraud or other criminal activity. This session further emphasised the need for the vacant Fund Accountant post to be filled.
- The Fund's response to **Climate change**. Climate change continues to be a key area of interest for the Fund, particularly in relation to its investments. We were pleased to hear of the Fund's achievements in this area, including drafting of the Fund's first of the Task Force on Climate-Related Financial Disclosures (TCFD) report and acceptance as a signatory to the Financial Reporting Council's UK Stewardship Code. We have also been pleased to have the opportunity to join training sessions to oversee how the Committee, officers and advisers are considering the options around divestment and engagement as the Committee develops a framework in this area and monitor the governance arrangements in this area.
- An **effectiveness survey** was completed by members of the Board during the year. The results were extremely positive although a small number of concerns were raised in relation to the format and timing of Board meetings, and the feasibility of reporting information on an exception-only basis due to the volume of papers. In response we ensured the structure of Board meeting agendas focussed on spending more time discussing key areas and less on items for information only. Changes to the timing of future meetings to better space them out during the year are also being taken forward and we also agreed to keep the format of future meetings (face-to-face, virtual or hybrid) under review.

- The progress of **asset pooling** through the Wales Pensions Partnership (WPP). Our focus remains on the governance of WPP. During the year we focused on the development of key policies and the WPP's Business Plan, and activity relating to the sale of the Operator and redress payments due following the FCA investigation of the Operator. The Chair of the Board continues to attend regular asset pooling engagement meetings with the other Welsh Pension Board Chairs and officers and suppliers responsible for WPP, which allows for the views of the Fund and concerns over the WPP strategy to be expressed directly to WPP.
- The Fund's new **Communications Strategy** which was approved by the Committee in June. As a Board we are remain committed to working with Fund officers to ensure the Fund has effective communications with both scheme members and employers across a range of media and we received updates on the implementation of the strategy during the year, and were pleased to be able to provide views to officers from both a Fund member and Fund Employer point of view.
- The Fund's response to **market turbulence** following the fiscal event in autumn 2022. Although our remit does not extend to investments, we were keen to understand how the Fund's governance and risk management arrangements performed when bond yields rose materially and there were strains on Liability Driven Investment (LDI) positions across private sector schemes. We received presentations from the Board Secretary which were very helpful in ensuring we were kept up-to-date and were reassured that the Fund's risk management approach, and supporting governance arrangements around robust advice and agile decision making, was working as expected.

Key administration matters that we discussed during the year included:

- Updates on the Fund's programme of work to implement the **McCloud judgement** at each meeting. All Board members are part of the McCloud Steering Group which has oversight of all areas relating to McCloud. We provided advice on communications for members and employer and supported the Fund to put in place the resource required to progress this project. We have been pleased with the progress the Fund has made on the McCloud remedy programme, including receipt of and processing of data from employers, although delays to the regulations and central guidance will put pressure on funds (including Clwyd Pension Fund) to implement the remedy with effect from 1 October 2023.
- **2022 actuarial valuation.** We received updates on the progress with the valuation during the year, noting this is a key project and relies on the accuracy of the data provided. We were pleased that the project was completed in a timely fashion and there was good engagement with employers, with the valuation result itself also very positive.
- **Member cases received, completed and outstanding**, the updates on which enabled us to monitor the effect of recruitment and retention challenges within the administration

teams, alongside increasing workloads. Performance overall was good given the circumstances, reflecting the hard work and commitment of the administration teams, but there were some **key performance indicator** areas where targets were not being met on a consistent basis. We will continue to challenge the Fund on improving these areas whilst recognising that the general performance of the Fund has been very good. The process for monitoring **employer service level standards** introduced last year has also been very useful in ensuring the Fund meets legal deadlines for delivering to scheme members and we have received regular updates on this, including how the Fund is introducing a more formal process around engaging with employers who are not meeting the agreed timescales.

We continued to monitor how the Fund approaches **regulatory and other topical developments,** such as the change to the date of CARE revaluation and changes to pensions tax. We have also taken a close interest in developments relating to the national pensions dashboard, the good governance project and the Pensions Regulators' new General Code of Practice.

The Pension Board's budget and final spend for 2022/23 are summarised below:

Item	Budget 2022/23	Actual 2022/23	Variance
	£	£	£
Allowances and Expenses	2,363	970	(1,393)
Training	33,403	23,947	(9,456)
Advisor Fees	72,313	67,235	(5,078)
Other Costs	4,700	4,328	(372)
Total	**112,779**	**96,480**	**(16,299)**

What will the Pension Board do in the future (in particular in 2023/24)?

We have a number of items on our forward plan for 2023/24, 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:

- Ensuring that the Fund is compliant with the TPR's Single Code of Practice and the Government's Good Governance regulations and guidance that that are expected to come into force during the year.
- Analysis of cases numbers, to feed into the review of the Administration Team structure and resource numbers.
- Considering the Fund's TCFD report for the year to 31 March 2023, particularly in relation to how understandable it is for all stakeholders of the Clwyd Pension Fund
- Further consideration of ongoing areas, 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 and the sale of the WPP Operator
- Monitoring of both the administration team and finance team resources.

A budget for 2023/24 has been agreed as follows:

Item	Budget 2023/2024 £
Allowances and Expenses	2,130
Training	28,575
Advisor Fees	75,375
Other Costs	4,700
Total	**110,780**

Conclusion and final comments

In our view 2022/23 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, satisfaction survey results 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 was approved in June 2022. The Strategy outlines how we communicate with scheme members and prospective members, scheme employers, the Clwyd Pension Fund Committee, the Clwyd Pension Fund Board, Clwyd Pension Fund staff and other interested organisations.

The chosen methods of communication are monitored and reviewed to ensure they are effective. The main means of communication with the above stakeholders are outlined in the Communications Strategy focuses 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 has transitioned from fully home working during the Covid-19 Pandemic to a hybrid combination of both home and office working. The day-to-day administration service is provided by the Pension Administration Team which consists of a total of 49.7 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 and Payroll Team implements and maintains the pension software systems (including the on-line facilities of Member Self-Service, and I-Connect for employer data uploads), collects and reconciles member data from all Fund employers and provides a pensioner payroll service for over 15,000 pensioners and dependents paying more than £6 million per month.

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

Summary of Activity

In addition to this day-to-day work during 2022/2023 the Pension Administration Team has been managing other major pieces of work and projects as described below.

Data Quality

Data quality requirements are embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator (TPR) has oversight of this area within the LGPS. The Administration Team collectively work to data improvement plan in readiness for the annual review of common and scheme specific data, the results of which are reported to TPR. The effect of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table below).

	Common Data %*	Scheme Specific Data %*
2022 / 2023	98	98
2021 / 2022	98	98
2020 / 2021	97.7	97.3
2019 / 2020	97.4	97.2
2018 / 2019	96.8	92.7

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

Key Performance Indicator Monitoring

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

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

i-Connect

In 2022/23 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 administration system on a monthly basis. Currently 54 out of 55 employers submit data relating to active members via i-Connect. The last remaining employer is transitioning to a new payroll provider and part of that process includes on-boarding to i-Connect. Training is provided to all new employers to the Fund as they are required to submit data via i-Connect as detailed in the Administration Strategy.

Clwyd Pension Fund Website

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

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 can download Scheme literature and forms from the website. All forms, guides and factsheets were rebranded in early 2023 in preparation for our rebrand date of 1 April 2023. The suite of member forms that require completion within a process are being made editable to allow members to complete them on-line if they wish. This enhanced functionality has improved the efficiency and timeliness of processes and members have responded positively to the changes.

Through Google Analytics, the Fund can monitor and generate quarterly reports to establish how many visits our website has had and what information members are interested in by identifying the pages members visit. The Fund has recently started to create and upload explanatory videos to our website: https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/ The number of views that the videos achieve along with the analytical data mentioned above are included in the report pack provided to Pension Board.

In line with the website accessibility regulations, public sector websites are required to meet national accessibility standards and to publish an accessibility statement on their websites. To meet the government's requirements, websites must achieve level A of the Web Content Accessibility Guidelines (WCAG 2.1). 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 devices. WCAG 2.2 was due to be released in September 2022 but this was delayed. It is thought that the new regulations may come into force by the end of 2023.

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 2023 scores compared to 31 March 2022 scores. As you can see the scores are slightly lower than 2022. This is due to website maintenance being undertaken as part of the rebranding exercise. The scores have improved since then and continue to be monitored.

	31/03/2022	31/03/2023
Digital Certainty Index	93.18%	90.63%
Quality Assurance	98.88%	98.87%
Accessibility	95.67%	90.84%
Search Engine Optimisation	84.98%	82.24%

Member 1-2-1 Sessions

The member 1-2-1 sessions are no longer held as a one-off annual event. Instead, they are available all year round as and when members ask for one. They can take place either:

- By phone
- Face to face
- Virtually via Microsoft Teams

For 2022/2023, the Communications Team met with both active and deferred members. Below are the statistics for 2022/2023:

No of 1-2-1 appointments booked (active members)	57
No of 1-2-1 appointments booked (deferred members)	2
No of 1-2-1 appointments booked (member was both active and deferred)	11
No of 1-2-1 appointments booked (TOTAL)	**70**
Members attending their scheduled appointment	67
Members not attending their scheduled appointment	3

Employer Liaison Team (ELT) Services

The ELT continues to work closely with those employers that require its assistance to best achieve the Key Performance Indicators (KPIs) within the Administration Strategy. This includes reviewing processes, providing, and receiving feedback on areas for improvement.

During 2022/23 the ELT has seen a small increase in staff in order to manage the day-to-day workflow alongside the additional project work involved for the successful completion of the McCloud Programme. The team are also required to provide member data in preparation for the Annual Allowance tax calculations, yearend anomalies, and Assumed Pensionable Pay calculations for each of its employers.

The team has become proficient in navigating, understanding, and extracting data from multiple payroll systems, and as such has been involved in the build and design of additional functionality and reporting capabilities within existing payroll systems. This has included updating current reports to collate accurate information required for the McCloud Programme and i-Connect files going forward.

Scheme changes and national developments affecting administration and communications

McCloud Remedy Case

The Court of Appeal ruling in the McCloud court case determined that the protections given to older members on the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful age discrimination. The case impacts other public service pension schemes including the LGPS where the new CARE scheme from April 2014 included a statutory underpin for older members. The Ministry for Housing Communities and Local Government (MHCLG) (now DLUHC) issued a consultation in July 2020 setting out its proposals for implementing the McCloud judgement in the LGPS. The remedy proposals of the 2020 consultation focused on the removal of any direct age discrimination from the onset of the 2014 scheme. An additional consultation was issued in June 2023, which in the main, seeks feedback on proposals about combining and transferring pensions in order to qualify for the underpin adjustment. It is hoped that these additional proposals will help to alleviate some of the administrative complexities in this area. This consultation ended on the 30th June 2023, and the final changes to the scheme rules are still 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 many scheme members. A comparison will be made between old and new schemes, ensuring that benefits paid in the new scheme are equal to or better than those of the old. The change to the scheme rules will mean that younger members will receive benefit protection equal to the underpin protection already given to older members. It is unlikely that there will be a significant number of members who will see an increase to their pension. The retrospective remedy will, however, extend to a large proportion of Fund members, and will involve changing administrative processes, updates to systems and require effective member communication.

The Fund has established a McCloud Programme team to implement the remedy for the Clwyd Pension Fund. In 2022/2023 data collection, verification and updates to the pension system of historical data from employers has continued. Some Software updates have been made to accommodate the additional information required to allow bulk benefit comparisons to take place. The McCloud team are expected to be able to move on to individual benefit rectification when the new regulations become available in Autumn 2023. A tentative end date for the McCloud project is proposed as March 2024, when retrospective adjustments are hoped to have been completed, and the new scheme rules have been embedded to become “business as usual”.

National Pensions Dashboard

The National Pensions Dashboard is being implemented to allow all pension savers in the UK access to view the values of all their pension pots, including state pension, through one central platform. All pension schemes must connect to the dashboard infrastructure by their “staging date” as determined by the Department for Work and Pensions (DWP) with the dashboards made publicly available shortly after schemes have onboarded. The staging date for all public sector pension schemes including the LGPS was 30 September 2024. However, in March 2023, the Pensions Minister announced delays to the delivery of Pensions Dashboards. On 8 June the Minister issued a statement setting out further details of the delay. Details are set out below.

- Legislation will be updated to set an overall connection deadline for all schemes, which will be 31 October 2026.
- The individual connection deadlines for schemes will be set out in guidance and will be before the final deadline of 31 October 2026. DWP is planning to collaborate with the industry this year before publishing this guidance.
- The date that Dashboards will go live to the public (Dashboards Available Point) has not been announced yet, but the Minister has said that this could be earlier than 31 October

2026. This indicates that Public Sector Schemes will have an earlier staging date than 31 October 2026.

The Pensions Regulator has set out guidance on what schemes need to do to prepare and this was updated on 8 June. There is an expectation that schemes should continue with their Dashboard preparations despite the potential changes to staging dates. In response to this the Administration Team is looking to create a Project Team which will undertake the work required for the Fund to be prepared to onboard when the staging date is confirmed. The Pensions Administration Manager continues to attend regular meetings with both Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team.

Budget and Tax Implications

The Budget on 15 March 2023 announced the removal of the lifetime allowance which will be abolished completely from April 2024, albeit lifetime allowance charges were removed from April 2023. The annual allowance has also been increased from £40,000 to £60,000 from April 2023. As well as being welcome by scheme members who would be impacted by these allowances, these are helpful for the Fund's administration team as it is likely they will have a small reduction to workloads in this area. As with all changes, there will need to be some updates to the Fund's administration processes to implement the changes.

The DLUHC consulted on draft regulations which will make changes to try to avoid members of the LGPS being exposed to an Annual Allowance charge due to a mismatch between the Consumer Prices Index (CPI) figure to be used for scheme revaluation (which for 2022/23 is10.1%) and the CPI figure by which a pension can grow without contributing to an individual's Pension Input Amount (PIA) for the 2022/23 tax year (3.1%). The consultation closed on the 24 February 2023 and DLUHC have confirmed that the change will now proceed with amendment regulations being made shortly.

Other Expected National Changes

There are a number of further changes that are expected in due course but the final details of the impact of them and the timescales are not yet available. These include the following changes that are detailed below. These explanations are based on the situation in June 2023.

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 relation to the 2020 cost management process, on 24 June 2021 the Chief Secretary to the Treasury published a Written Ministerial Statement announcing publication of a consultation on proposed reforms to the cost control mechanism for Public Service Pension Schemes following the publication of the Government Actuary's review of the mechanism. On 4 October 2021, HM Treasury released their response to the consultation confirming that there will be changes to the mechanism from the 2020 scheme valuations. On 30 January 2023 DLUHC published a consultation to amend the LGPS SAB cost management process which operates in addition to the Treasury process. The consultation closed on 24 March 2023. Whilst the Government Actuary's Department has begun collecting data for the 2020 cost management valuations it is not yet known if any changes to member benefit or contributions flowing from the 2020 exercise will be required. The widening of the corridor in the HMT process is intended to reduce the likelihood that changes will be required, and the proposals for the LGPS SAB process include introducing greater flexibility for the SAB in determining its recommendations on cost (the current Regulations require that recommendations to bring the cost back to the target must be made under the SAB process if costs have changed by 2% of pay or more).

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. In August 2022, HMT issued their consultation on Public Sector Exit Payments which closed on 17 October 2022 seeking views on a new administrative control process for public sector exit payments over £95,000, and amendments to the process for special severance payments. The outcome of the consultation response is not yet known but whilst the consultation related to staff working in central government some LGPS employers could be affected. It is unclear at this stage when we may hear more on wider reform of exit payments and conditions around how LGPS benefits are paid. Bodies under the devolved administrations were not covered by HMT's most recent consultation and Welsh Government might implement a different approach to meeting any exit cap requirements for public sector employers in the Fund.

Increase in minimum retirement age

In February 2022 the Finance Act 2022 received Royal Assent. The Act implements previous proposals to increase the normal minimum pension age from 55 to 57 in April 2028. This change is designed to maintain a 10 year gap between minimum retirement age and state pension age, as confirmed as part of Government policy in 2014. The Finance Act does provide for protected pension ages for members meeting certain conditions, but for this protection to apply the LGPS regulations must be amended accordingly and currently there has been no indication from DLUHC whether they intend to make these changes.

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

Harpur Trust Vs Brazel Supreme Court Judgement

On 20 July 2022 a Supreme Court Judgement case Harpur Vs Brazel was published. This case relates to the calculation of holiday pay for part-year employees and employees who work irregular work patterns, with the final judgement meaning that employers should now consider revising how pay is calculated for part-year employees. Part-year employees are expected to include employees on term-time only and zero hours contracts.

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 who are likely to have large numbers of term-time employees, increasing CARE pay. Secondly, increases in pay could also 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.

There are potential resource implications for administration teams (and employers in collecting historical contributions and providing historical information to the administering authorities).

Strategy Measures

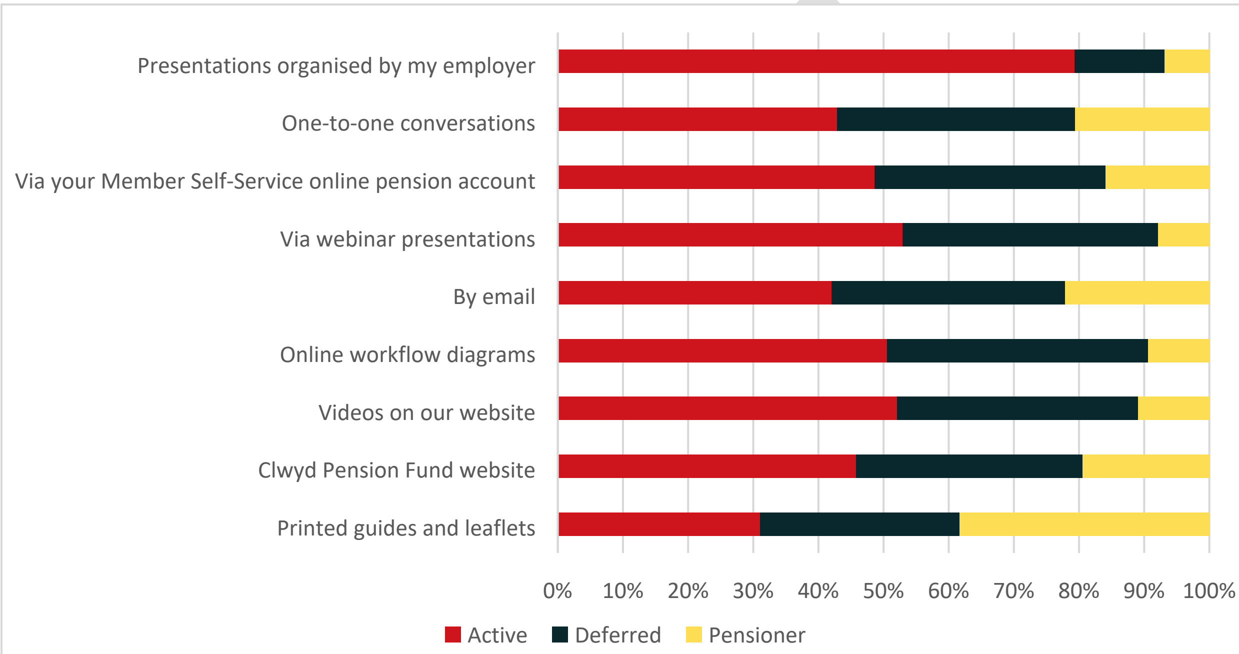
Member and employer feedback 2022/2023

The Fund carries out satisfaction surveys with members and employers to receive feedback on whether we are achieving our aims and objectives as set out within the Fund's Administration and Communication Strategies.

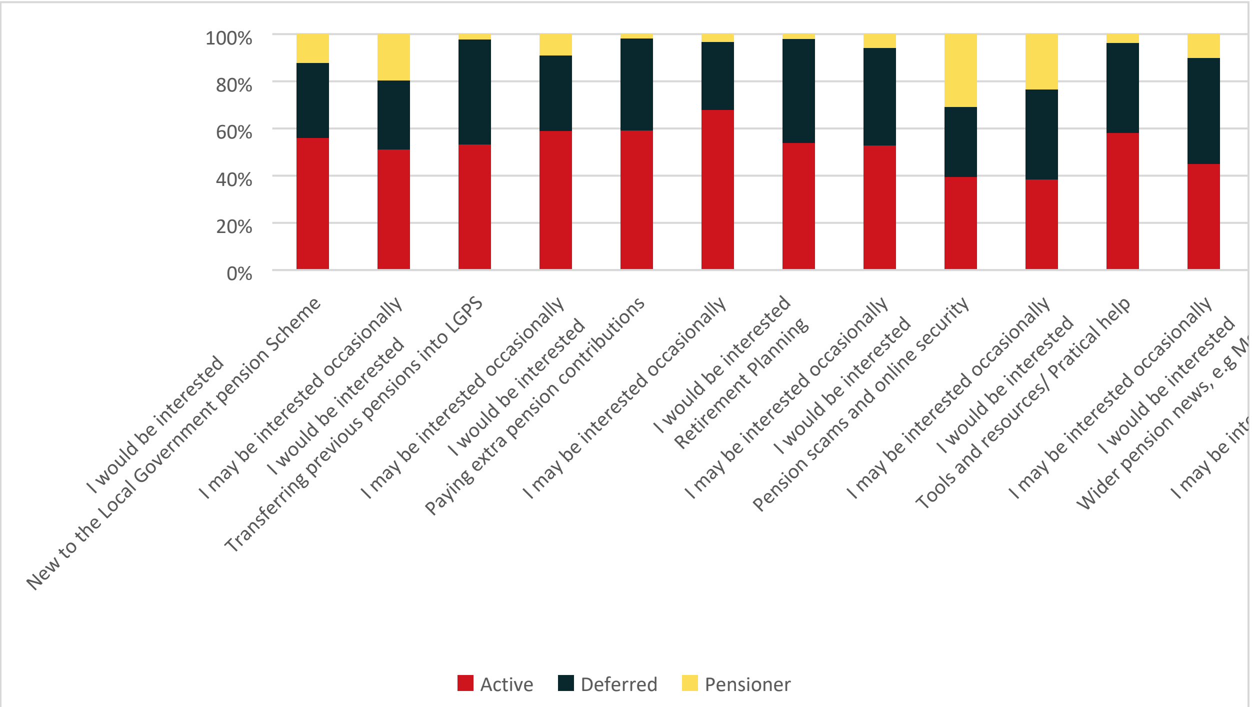
Results of member survey

The graphs below represent the results from the surveys and show how we are performing from a member perspective with regards to increasing awareness and understanding of how both the Scheme and Fund works. The results are also a good tool for us to monitor how we are maintaining and building positive experiences for both members and employers.

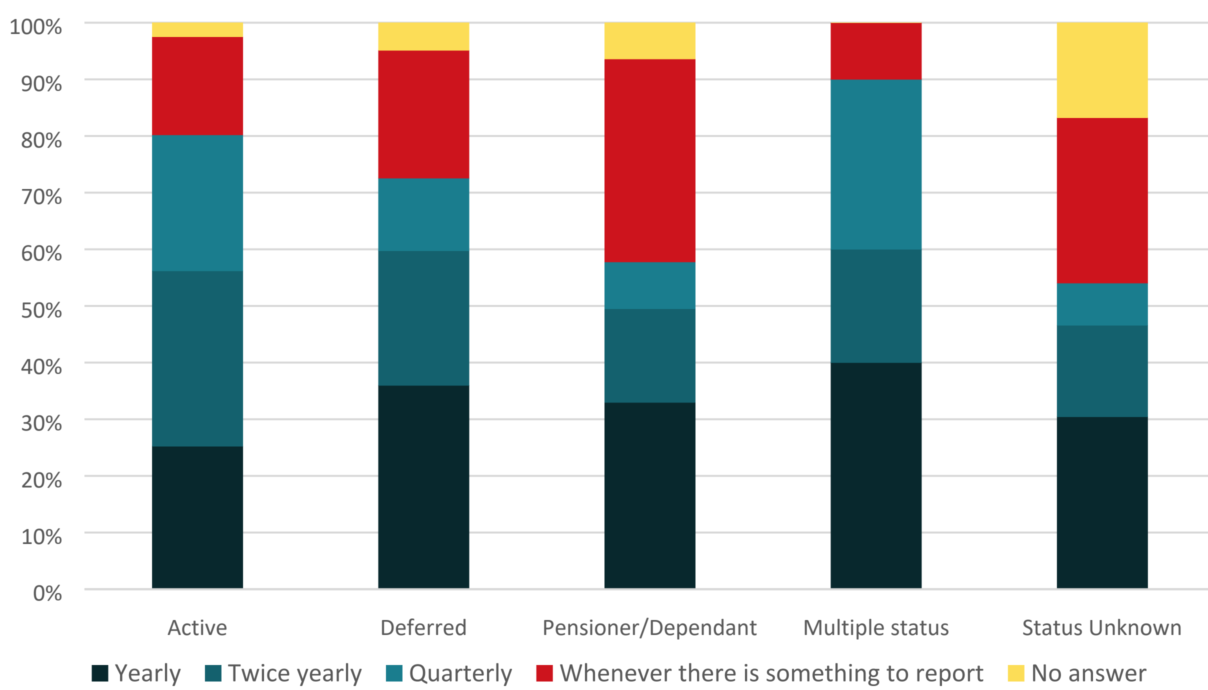
How would you like to receive information about your pension?



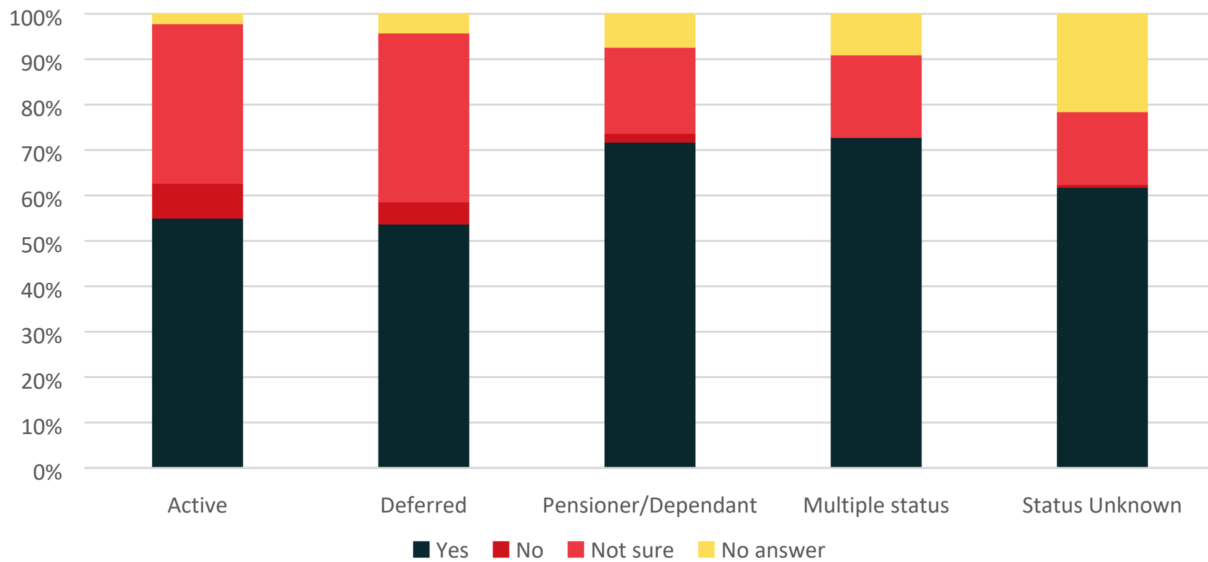
What topics are you interested in receiving information about?



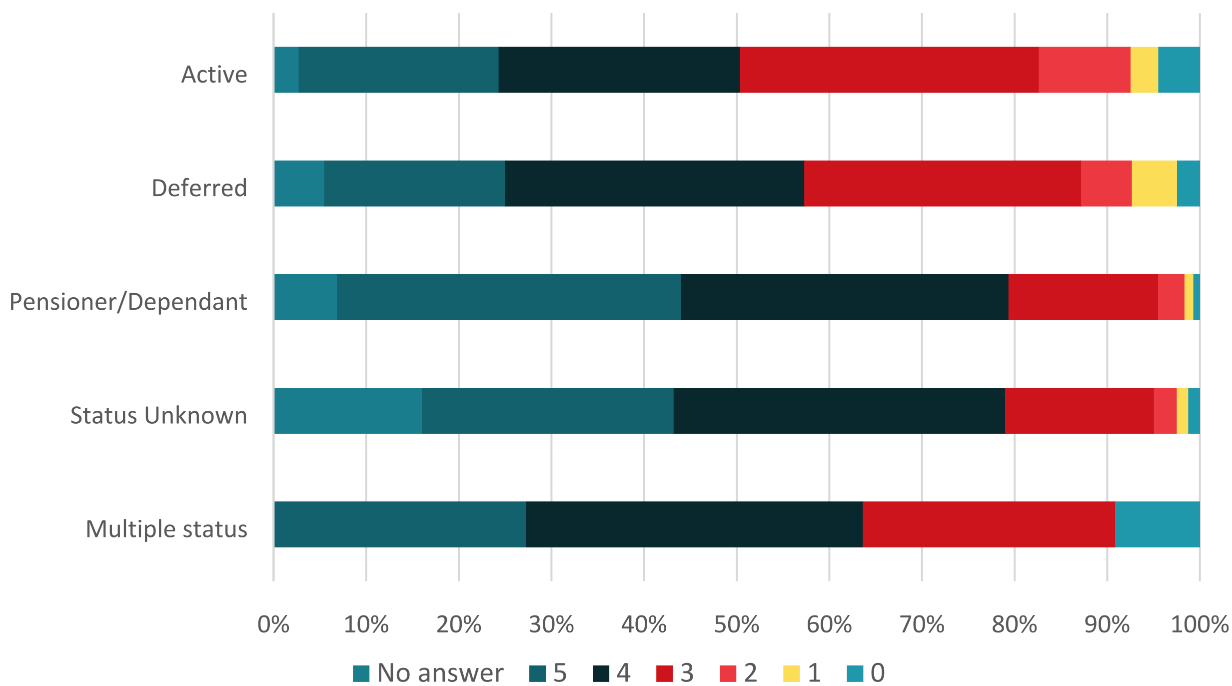
How often would you like to receive news about your LGPS benefits?



If you had a question about your LGPS benefits, are you confident that the Clwyd Pension Fund would assist you to find your answer?



On a scale of 0 to 5, where 0 is poor and 5 is great, how would you rate your overall experience with Clwyd Pension Fund communications?



Note: 2 pensioner members responded “4 or 5” and a further 2 responded “3 or 4”. Their responses have been included within 4 and 3 respectively.

Comments from member survey

When I retired some years ago, I was very apprehensive about my retirement and had many questions about my pension. They were answered with great understanding. They helped my transition from a working life to run smoothly

Find I am passed from different staff member until someone can answer the question

Very pleased with being able to have a face to face appointment with regards to my new pension plan

The reason I have rated it this low is because I would like to talk to someone face to face when I am talking about something so important like my pension.

The staff are available to speak to on the telephone. It is really helpful to know that they can advise and give information to clarify

Lack of answer on the phone. Rings with no answer or a suitable person is not available. Lack of Welsh response makes difficulties

Easy access via website to all the plans and information regarding my pension.

Website difficult to navigate and resets are also difficult.

Information sharing is understandable and clear and precise.

I think you have previously said you are committed to plain English. The items you have listed on first page "Webinar" "Workflow Diagrams" "Infographics"

Very happy with the communication. Like the new logo

Would be interested to know how much this rebranding cost. This information should be included in a future newsletter. Changing colours and logos is completely pointless!!!

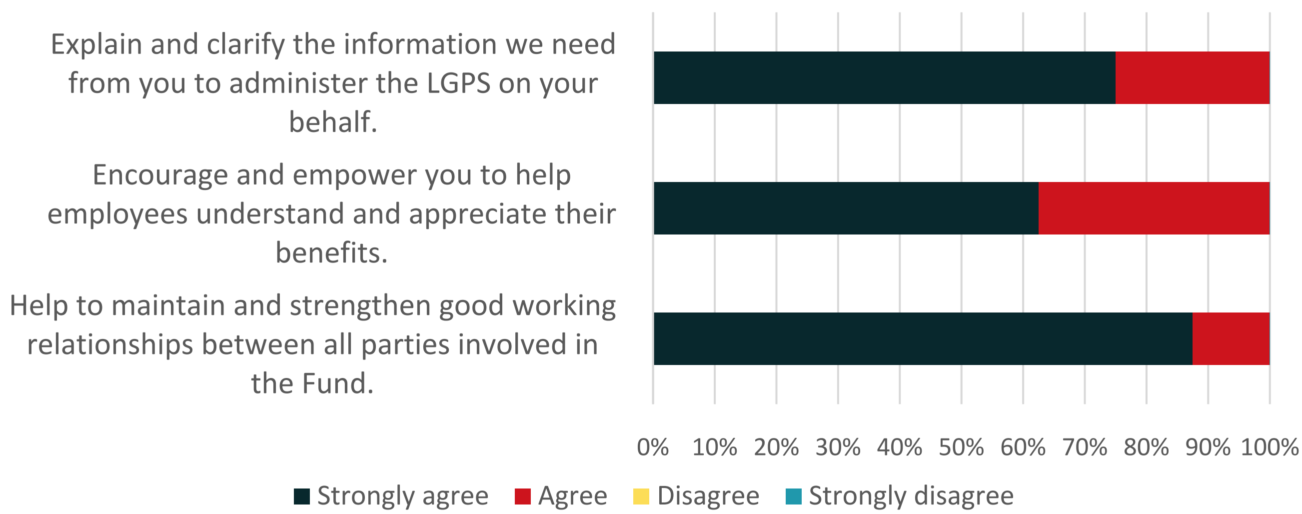
For 2023 we are also in the process of setting up member Focus Groups. These groups will be a small number of Clwyd Pension Fund members who would give their feedback and opinions on future communications. This will ensure that the Clwyd Pension Fund is delivering communications that members want and can understand. It is the intention that the Focus Groups will cover all member types so that we appreciate varied opinions depending on:

- Member status
- Age
- Gender
- Job type

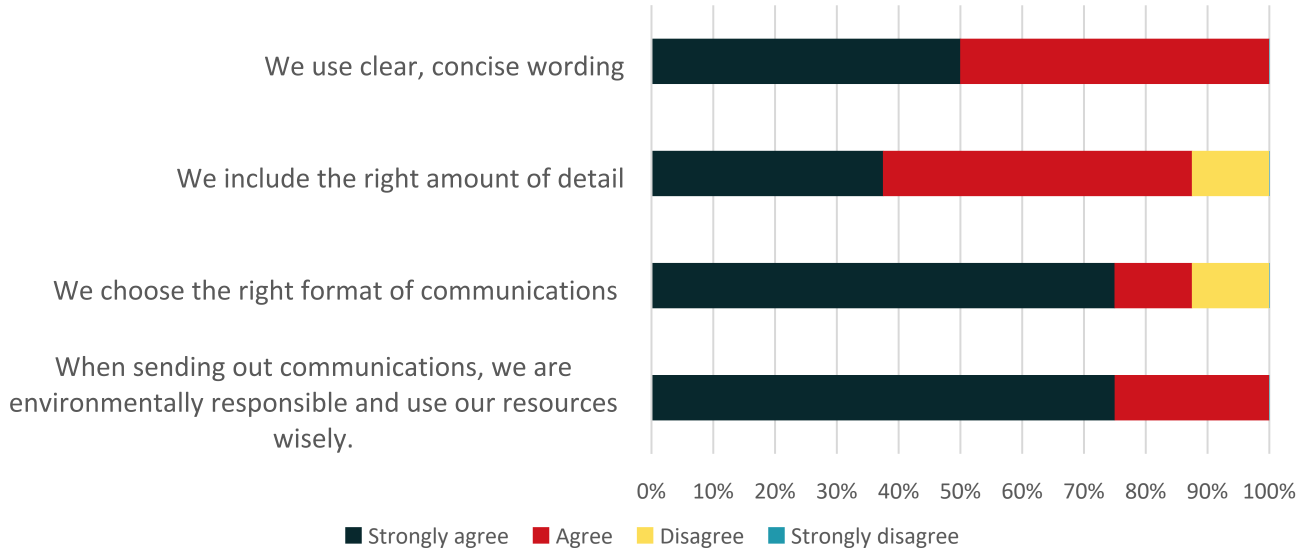
Results of employer survey

We collated the following results from our employers who were asked the following questions:

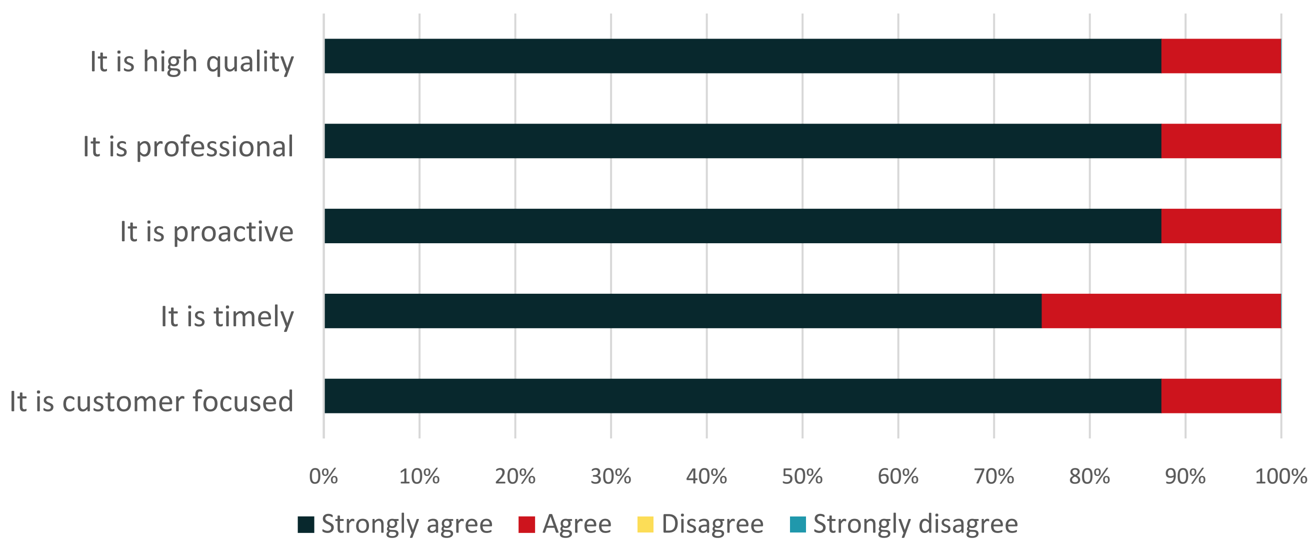
The materials we send you…



What do you think of the way we communicate?



What do you think of our administration service?



Member Self-Service (MSS)

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

MSS enables our members to:

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

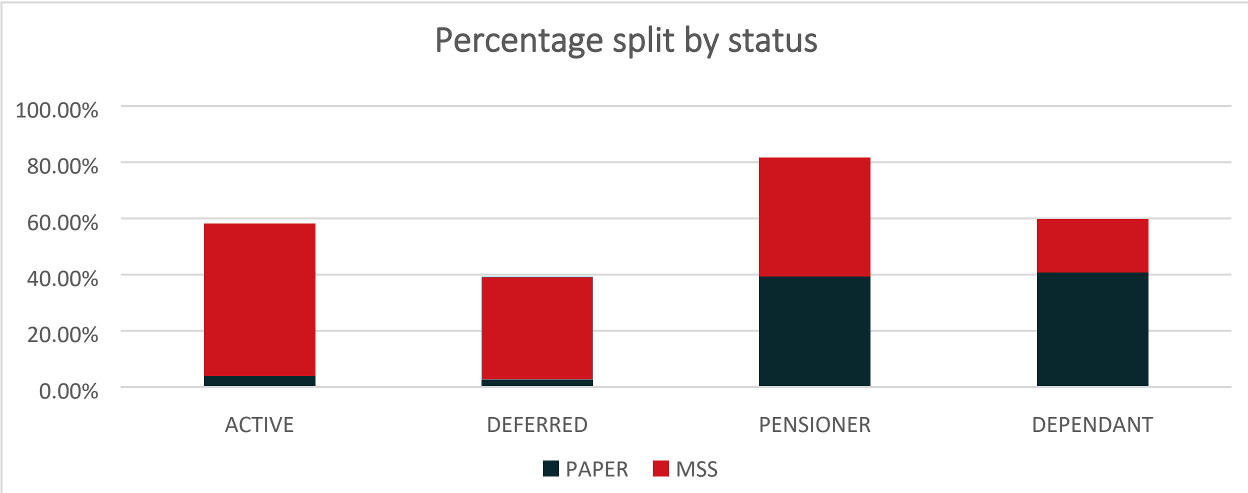
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

As of 31 March 2023, 52% of Clwyd Pension Fund's membership had registered for MSS. To compare, as of 31 March 2022, 48% of Clwyd Pension Fund's membership had registered, meaning an increase in registration of 4% during this period.

As of 31 March 2023, 17% of Clwyd Pension Fund's membership had registered for paper post. To compare, as of 31 March 2022, 12% of Clwyd Pension Fund's membership had registered, meaning an increase in reference for paper communication of 5% during this period.

In summary, 70% of our membership are engaged and have chosen either MSS or paper post for communication purposes. The Clwyd Pension Fund endeavours to engage with members who have not chosen a communications preference to ensure they do not lose contact with us.

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

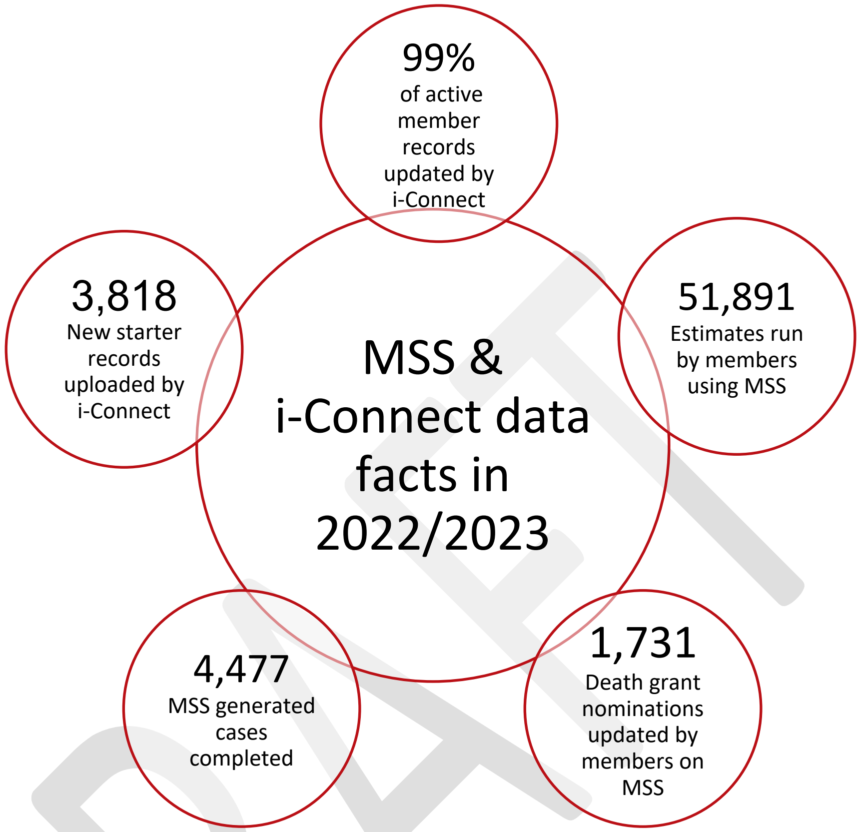


MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

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 2022/2023.

Full time equivalent staff in the Pension Administration Team	Total Fund members	Ratio of staff to members of Fund	Average cases completed per member of staff
34.6	51,246	1:1,481	883

Summary of Employers as at 31 March 2023

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

*excluding Councillors

2022/2023 New Pensioners

Retirement Type	Number of Retirements
Ill Health	31
Early	550
Normal Retirement Age (NRA)	58
Late	172
Redundancy / Efficiency	16
Flexible	20
Trivial Commutation	72
Total	**919**

Member Trends

Year	Contributors	Deferred (including undecided & frozen refunds	Pensioners	Dependant Pensioners	No. of Redundancy & Efficiency enhanced benefits	No. of Ill Health enhanced benefits: Tier 1 only
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
2022/23	17,671	18,424	13,161	1,990	16	20

Analysis of Pension Overpayments and Write Offs

	2022/23		2021/22		2020/21		2019/20	
	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases
Amounts under £100	£5,906	162	£6,516	166	£6,348	151	£4,435	129
Overpayments Recovered	£46,954	103	£38,056	92	£26,716	92	£29,277	76
Overpayments Written Off	£0	0	£0	0	£498	2	£0	0

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.

Key Performance Indicators (KPI)

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

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

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	4,299	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	86%	30 working days from receipt of all information	99%
To inform members who leave the scheme of their leaver rights and options	2,222	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	89%
Obtain transfer details for transfer in, and calculate and provide quotation to member	386	2 months from the date of request	85%	20 working days from receipt of all information	78%
Provide details of transfer value for transfer out, on request	549	3 months from date of request (CETV estimate)	99%	20 working days from receipt of all information	85%

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
Notification of amount of retirement benefits	1,632	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]	83%	10 working days from receipt of all information	94%
Providing quotations on request for retirements	802	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	88%
Calculate and notify dependant(s) of amount of death benefits	190	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)	74%	10 working days from receipt of all information	65%
*Calculate and Notify member of CETV for Divorce/Dissolution Quote	110	3 months from the date of request	100%	20 working days from receipt of all information	100%

Process	No. of cases completed cases	Legal Requirement	% of cases completed within target (Legal)	CPF Administration element target	% of cases completed within target (CPF)
*Calculate and Notify members of Actual Divorce Share	3	4 months from the date of the pension sharing order, or the date where all sufficient information is received to implement the order	100%	15 working days from receipt of all information	100%
*Calculate and pay a Refund of contributions	444	N/A		10 working days from receipt of all information	89%
*Calculate and Pay retirement lump sum	993	N/A		15 working days from receipt of all information	95%
*Calculate and Notify member of Deferred Benefits	1,244	N/A		30 working days from receipt of all information	73%
*Initial letter acknowledging death of member	417	N/A		3 working days from receipt of all information	82%

Other performance information

The total number of cases completed in 2022/2023 has reduced slightly compared to 2021/2022. This is due to staff retention and the impact of training new staff members. Despite this, 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 2022/2023

Case Type	Cases
New Starters	3,712
Address changes (including via MSS)	2,162
Defers	1,453
Refunds	1,038
Retirements (all types)	1,575
Estimates (all types)	799
Deaths (deferred, active and pensioners)	524
Transfers In	349
Transfers Out	495
Divorce Quote	110
Divorce Share	3
Aggregation	1,348

2021/2022

Total cases completed

31,152

2022/2023

Total cases completed

30,540

Case Movement

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Start Total	6358	6155	6231	6009	6264	6343	5747	5673	5892	5583	5307	5037
Completed	2514	2688	2883	2575	2057	2670	2840	2144	2001	2677	2324	2481
Received	2373	2808	2726	2854	2189	2112	2777	2363	1720	2417	2063	2610
Deleted	62	44	65	24	53	38	11	0	28	16	9	0
Remaining	6155	6231	6009	6264	6343	5747	5673	5892	5583	5307	5037	5166

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 98% and 98% respectively, evidencing that data is now of a high quality.
- We aim for 5% per year increases in the proportion of scheme members registered on Member Self-Service, which directly results in greater efficiencies. For the period April 2022 to March 2023 we achieved an increase of 4% for MSS registrations and 5% for paper preference.
- 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 administration cost per member (CIPFA measure) to be £37.44 and this represents a position within the middle quartiles of the Funds included in the comparison. With regard to overall costs per member across administration, oversight and governance, the latest measure confirmed this to be £96.79 per member. This represents a position within the upper quartile of the Funds included in the comparison.

Furthermore, in 2022/23 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 IDRP requests the Fund received in 2022/2023 and their outcomes:

2022/2023	Received	Upheld	Rejected	Ongoing
Stage 1: Against Employers	9	1	4	4
Stage 1: Against Administering Authority	0	0	0	0
Stage 2: Against Employers	1	0	1	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, Flintshire, CH7 6NA

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, Flintshire, CH7 6NA

Email: Karen.williams@flintshire.gov.uk

Tel: 01352 702963

Appendix 5 – Funding and Flightpath Review

An update from the Actuary

I am once again delighted to provide my annual update from an actuarial perspective on the activities of the Clwyd Pension Fund (the Fund) during 2022/23. This was a particularly busy period given the 2022 actuarial valuation took place over this period, the impact of persistently high inflation and rising interest rates, and the ongoing challenges in major economies.

As well as the market turmoil following the 'mini' budget in September 2022, we have seen continued increases in UK interest rates in an attempt to control the inflationary environment.

The combined effect of these factors over the year has meant the Fund Officers, Committee and advisers have had to respond to the challenges. It was pleasing to see that the Fund has remained resilient and in good financial health due to the Risk Management Framework in place, supported by the strong Governance Framework which allows decisions to be made quickly and effectively. This was robustly tested by the turmoil caused by the mini-Budget.

It is pleasing to see that the estimated funding position at the most recent May 2023 update showing a funding level of 107%.

The ongoing challenge in light of the inflationary and economic environment is to consider how we can maintain the health of the investment strategy and employer contributions, in order to provide continued sustainability of funding and contributions for the employers (emerging from the 2022 valuation), recognising other material risks such as climate change impacts. This is a delicate balance which requires careful planning and monitoring.

2022 Actuarial Valuation

The Fund's triennial actuarial valuation took place with an effective date of 31 March 2022. This gave us the opportunity to review the financial health of the Fund and refresh the objectives. These objectives are set out in the Funding Strategy Statement. The outcome of the valuation is to set employer contribution levels for the period 1 April 2023 to 31 March 2026 and these contributions are set out in my formal actuarial valuation report (which can be accessed at link). Some employers are intending to pay more than the minimum contributions required to support future sustainability of their contributions, which was a positive outcome as is demonstrates the collaborative approach between all stakeholders in the process. Overall the feedback on the process from employers was very positive.

In assessing these contribution levels, I considered the experience of the Fund since the previous valuation (including demographic factors such as changes in life expectancy and changes in the membership profile). I also took into account an employer's ability to support their obligations to the Pension Fund by assessing their financial covenant. The results of the valuation showed a material improvement in the funding position from 91% to 105% as at

31 March 2022. This improvement allowed us to reduce the overall average employer contributions required, mainly due to the surplus being utilised over a period of 12 years to offset the ongoing contribution costs for employers in relation to their contributing members.

An important part of the risk analysis underpinning the funding strategy is for the Actuary to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation, an analysis of different climate change scenarios at the Whole Fund level has been undertaken relative to the baseline position assuming that the funding assumptions are played out on a best estimate basis. The projections are meant to illustrate the different elements of risk under three climate change scenarios based on the current strategic allocation. A summary of this analysis is included in my actuarial valuation report.

Following the completion of the valuation process, the Government Actuary's Department ('GAD') will carry out a review of the actuarial valuations of LGPS funds as at 31 March 2022 pursuant to Section 13 of the Public Service Pensions Act 2013. The GAD will compare a number of key factors, including the assumptions and recovery periods adopted, and funding levels and contribution rates reported. The results will be published once the review is complete.

Risk Management Framework

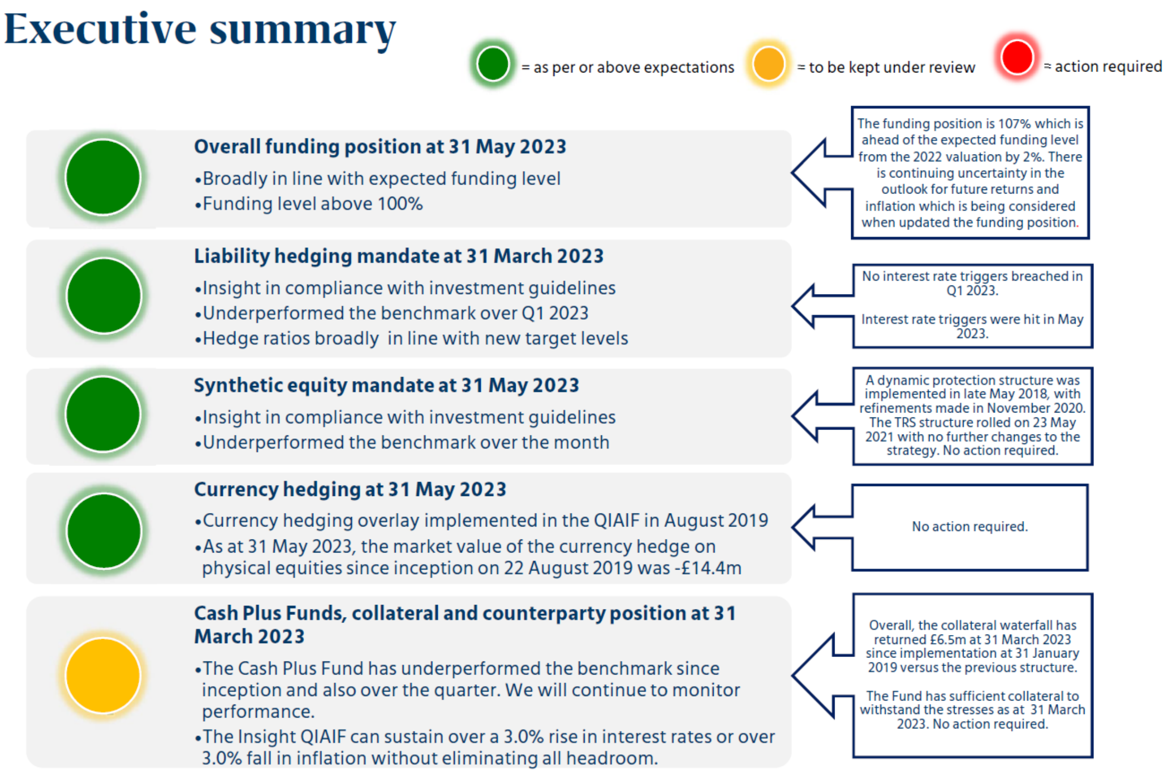
Flightpath Strategy

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 from 2014 and the original objective was to reach a 100% funding level by 2026. This objective has been exceeded as demonstrated by the outcome of the 2022 valuation.

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

The funding level is expected to fall over time as employers are making use of the funding surplus to offset contribution requirements. Overall, the funding position was estimated to be 104% as at 31 March 2023 (the date of the accounts) based on an approximate funding update from the 2022 actuarial valuation, which was marginally behind expectations but we have seen an improvement in the funding level since then to 107%, which illustrates that the position remains volatile due to the current market and inflationary outlook. A funding level trigger of 110% is in place to prompt future de-risking discussions in line with the formal protocol agreed with Committee. The aim is to consider if any changes to the overall investment strategy should be made to provide increased sustainability of contributions for employers without inadvertently putting upwards pressure on contributions in the future.

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 May 2023 is shown below.



It can be seen that all aspects were in line with expectations apart from the Cash Plus Funds, which is rated "amber" due to underperformance since inception. This amber rating also reflects the challenging market conditions and the need to monitor the collateral position closely. This is because there is potential for more market triggers to be hit due to further increasing interest rates (i.e. making gilt prices more attractive) and the need to ensure there is sufficient resiliency in the framework to withstand any future market shocks such as what was experienced due to the "mini-Budget" announcement in September 2022.

How has the Risk Management Framework evolved over the year?

Whilst the market environment posed many challenges it also allowed the Fund to capture a number of opportunities to increase the certainty of its risk/return profile at acceptable levels of cost.

Due to the significant interest rate increases and the expected strain this would put on available collateral, the Fund pro-actively took the decision to suspend the interest rate and inflation trigger framework in place in early September. The governance structure in place enabled quick decisions to be taken by the Officers, which worked well and prevented a situation where collateral was depleted and the gilt exposure, which adds to the return of the Fund's assets, would have needed to be reduced.

Following the mini-budget and subsequent market volatility, regulatory bodies including The Pensions Regulator ("TPR") have introduced minimum levels of collateral far in excess of those previously in place across the industry. The Fund sold some of its physical equities and restructured its collateral position in October and November 2022 in advance of these regulations coming into force in a capital efficient way that preserved the Fund's strategic asset allocation and expected return.

This additional collateral allowed the Fund to reinstate the interest rate and inflation trigger framework in late 2022, with further interest rate triggers being hit in May, June and July 2023, capturing further market opportunities. The Fund continues to hold collateral well in excess of that required under TPR regulation.

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

In summary the year has been one of the most challenging to navigate but the Fund has been resilient and remains in a very good position. Whilst the economic and market environment remains uncertain, I remain confident that the Fund is in the best place possible to navigate the challenging economic environment over the next few years and beyond given the strong financial and governance frameworks in place.

Paul Middleman FIA

Fund Actuary and Pensions Advisory Panel member

Appendix 6 – Investment Policy and Performance Report

The following report provides an update from an investment perspective on the activities of the Clwyd Pension Fund (the "Fund") during 2022/23.

Investment Strategy Statement (ISS)

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

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

Each of these specific objectives have embedded within them the Fund's desire to incorporate sustainability in its long-term approach and to demonstrate that it is acting effectively as a responsible investor.

As at the reporting date, the Fund's ISS was under review following the triennial investment strategy review.

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	15.0	10.0 – 20.0	0 – 30
Emerging Market Equity	5.0	2.5 – 7.5	0 – 15
Hedge Funds	5.0	2.5 – 7.5	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	6.0	4.0 – 8.0	0 – 15
Infrastructure	8.0	6.0 – 10.0	0 – 15
Private Credit	3.0	1.0 – 5.0	0 – 6

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

Cronfa Bensiynau CLWYD Pension Fund

Strategic Allocation vs Actual Allocations

Manager	Mandate	Actual 31/03/2022 (%)	Actual 31/03/2023 (%)	Strategic Allocation 22/23 (%)
Developed Global Equity				**15.0**
WPP	Global Equity	5.3	5.7	15.0
BlackRock	Global Equity	5.4	0.0	
Emerging Market Equity				**5.0**
WPP	Emerging Equity	9.0	5.1	5.0
Hedge Funds				**5.0**
ManFRM	Hedge Funds	6.4	7.0	5.0
TAA / Best Ideas				**11.0**
In-house	Best Ideas Portfolio	11.1	11.5	11.0
Multi-Asset Credit				**12.0**
WPP	Multi-Asset Credit	10.0	10.1	12.0
Cash and Risk Management Framework				**23.0**
Insight	CRMF	25.5	29.0	23.0
Private Markets				**29.0**
Various	Property	6.0	5.9	4.0
Various	Private Equity	7.9	8.8	8.0
Various	Local/Impact	2.7	3.9	6.0
Various	Infrastructure	4.8	5.6	8.0
Various	Private Credit	2.1	2.6	3.0
Various	Timber/Agriculture	0.5	0.5	0.0
Cash		3.2	4.3	**0.0**

Note: Total may not sum due to rounding.

The table above reflects the new strategic allocation, which was agreed in March 2023. The implementation of the new strategy was in progress at the time of writing. Furthermore, in Q2 2023, all of the WPP Global Equity assets were switched to a Sustainable equity strategy.

Cronfa Bensiynau CLWYD Pension Fund

During the 2022/2023 period, the Fund disinvested in full from the BlackRock World ESG Equity Fund and transferred all proceeds to the Cash and Risk Management Framework to meet collateral requirements within the mandate. These proceeds also serve to enable the Fund to take action to increase interest rate and inflation hedging if market-based yield triggers are hit via the trigger framework.

Market Background

The 12-month period to 31 March 2023, was an extremely challenging market environment for investors. Equities sold off in all markets with the exception of the UK market, which was the only equity market to generate a positive return over the period (+2.9%). Global equities detracted -5.0% in sterling terms, whilst emerging market equities also detracted -6.2% in sterling terms.

Volatility spiked in UK markets at the end of Q3 2022, as the UK Chancellor of the Exchequer delivered a statement entitled “The Growth Plan”, which was widely referred to as the “mini-budget”. The statement contained a set of economic policies and tax cuts, which were seen as unfunded. The gilt market came under severe pressure in the following weeks of the statement release, with nominal and real yields rising by over 1% within a few working days, before sharply reversing after intervention from the Bank of England.

Inflation and central bank policy were key drivers in markets over the period, as inflation remained high in most major regions. Central banks therefore continued to tighten monetary policy and maintain a hawkish outlook, resulting in elevated market volatility. Further to this, markets were pricing in the increased risk of a recession resulting from the monetary tightening.

The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe, which exacerbated pressure on energy prices.

Investment Performance 2022/23

The market value of the Fund has increased from approximately £1,175.1m in March 2013 to £2,289.2m in March 2023. The table below shows a summary of the annualised investment performance over the last 10 years compared with the Fund’s benchmark and local government pension funds.

Period (Years)	Clwyd Pension Fund (% p.a.)	Clwyd Benchmark (% p.a.)	Average Local Authority (% p.a.)
1	-6.4	-4.6	-1.7
3	+9.5	+7.5	+9.5
5	+5.5	+5.4	+5.9
10	+6.7	+6.7	+7.3

Source: Mercer, PIRC.

The Fund posted a negative investment return of -6.4% for the 12 months to 31 March 2023, against a composite benchmark of -4.6%. Whilst a negative return is, of course, not the desired outcome, this is expected to happen from time to time as markets naturally evolve over time. Officers and the Committee have reviewed in detail how the portfolio performed, and the background to the performance is clearly understood.

The bigger picture that should be focused on is the overall funding position and financial status of the Fund, which is covered in more detail in the Actuary's report section. Pleasingly, the funding remained resilient during a challenging environment for investment markets; the funding level was estimated to be 104% as at 31 March 2023, in comparison to 105% as at 31 March 2022.

It is also important to consider performance in context of a longer-term horizon. Over three years to the 31 March 2023, the Fund achieved a return of +9.5% p.a., compared with a benchmark of +7.5% p.a. This performance is also ahead of the future service target of CPI +2.25% p.a. (8.2% p.a.).

Performance and Historic Strategy Positioning

The first table below demonstrates the performance of the existing underlying funds against their retrospective targets over the 10 year period to 31 March 2023.

The table below the 10 year historic performance 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.

Cronfa Bensiynau CLWYD Pension Fund

Performance to 31 March 2023

Fund	Investment Manager	Q1 2023 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
Total		**3.7**	**4.5**	**-6.4**	**-4.6**	**9.5**	**7.5**	**5.5**	**5.4**	**6.7**	**6.7**
Total Equity		**4.5**	**3.2**	**-2.2**	**-1.9**	**12.4**	**13.4**	**5.3**	**7.2**	**8.1**	**9.6**
WPP Global Opportunities	Russell	3.4	4.9	0.2	0.5	16.4	17.8	--	--	--	--
WPP Emerging Markets Equity	Russell	5.7	1.5	-1.6	-3.5	--	--	--	--	--	--
Total Credit		**1.9**	**1.9**	**-7.1**	**6.3**	**3.1**	**4.3**	**-0.3**	**3.4**	**0.5**	**2.0**
WPP Multi-Asset Credit	Russell	1.9	1.9	-7.1	6.3	--	--	--	--	--	--
Total Hedge Funds		**-0.6**	**1.8**	**0.8**	**5.8**	**4.2**	**4.4**	**1.1**	**4.4**	**--**	**--**
Hedge Funds	Man	-0.6	1.8	0.8	5.8	4.2	4.4	1.1	4.4	--	--
Total Tactical Allocation		**0.4**	**2.1**	**-3.9**	**13.3**	**12.0**	**8.7**	**6.6**	**7.1**	**3.5**	**5.7**
Best Ideas	Various	0.4	2.1	-3.8	13.3	12.2	8.2	7.3	6.8	2.7	5.6
Total Private Markets		**-0.4**	**1.8**	**10.1**	**3.9**	**13.3**	**5.5**	**11.4**	**5.4**	**--**	**--**
Property	Various	-4.6	0.2	-9.2	-14.7	2.4	2.7	4.1	2.8	6.4	7.2
Private Equity	Various	-0.4	2.2	13.7	7.4	19.8	5.9	16.4	5.9	13.7	5.7
Local / Impact	Various	3.3	2.2	22.9	7.4	--	--	--	--	--	--
Infrastructure	Various	1.8	2.2	19.6	7.4	12.2	5.9	11.5	5.9	12.6	5.7

Cronfa Bensiynau CLWYD Pension Fund

Fund	Investment Manager	Q1 2023 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yr (%)	B'mark (%)	5 Yr (%)	B'mark (%)	10 Yr (%)	B'mark (%)
Private Credit	Various	-1.8	1.8	9.5	7.5	7.4	7.5	6.0	7.5	--	--
Timber/ Agriculture	Various	6.0	2.2	29.2	7.4	10.3	5.9	6.6	5.9	4.3	5.7
Total CRMF		**11.6**	**11.6**	**-34.8**	**-34.8**	**5.4**	**5.4**	**2.0**	**2.0**	**--**	**--**
Cash and Risk Management Framework (CRMF)	Insight	11.6	11.6	-34.8	-34.8	5.4	5.4	2.0	2.0	--	--

Source: Investment Managers.

Note: Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. For periods over one year, the figures in the table above have been annualised.

Historic Strategy Positioning

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
Equities									
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	5.0	-	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	-	-	
Global Developed (ESG)	-	-	-	-	-	-	5.0	15.0	

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

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	-	**-**	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**15.0**	**15.0**	**19.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	**23.0**	**23.0**	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
Alternative Investments									
Property	5.0	7.0	6.5	7.0	7.0	4.0	4.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	8.0	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	8.0	
Local/ Impact	-	-	-	-	-	-	4.0	6.0	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	7.0	5.0	
Currency Fund	-	4.0	4.0	-	-	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	-	-	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	11.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**42.0**	**42.0**	**30.0**

Responsible Investment

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

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.

During the period, the Fund was successful in submitting its first Stewardship Report and achieved signatory status in February 2023 to the Financial Reporting Councils UK Stewardship Code.

At the time of writing, the Fund's Officers with support of their investment consultant, Mercer, are in progress of setting up a framework specifically related to responsible investment, focusing on specific areas of exclusion with focus on listed equities. Further update on the progress of this framework and implementation will be provide in next year's report.

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 2022/23 is shown in the following table.

Manager/Fund	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/With held
Russell WPP Global Opportunities	539	6,903	5,970	800	58	75
Russell WPP Emerging Market	561	6,128	5,119	915	40	54

Manager/Fund	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/Withheld
Best Ideas Portfolio						
BlackRock US Opportunities	96	1,270	1,180	79	1	5
Ninety One Global Natural Resources	53	732	675	40	17	0
LGIM Listed Infrastructure	86	1,073	817	256	0	0
LGIM North America Equity Index	676	8,543	5,587	2,952	5	0
LGIM Future World Europe (ex-UK) Equity	431	7,617	6,265	1,319	33	0
LGIM High Yield Bonds	3	14	12	2	0	0

Source: Investment Managers.

Note: LGIM Sterling Liquidity Fund and LGIM Commodity Index do not have voting data. Figures may not sum due to rounding.

United Nations Principles for Responsible Investment

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

Private Market Holdings

A summary of each of the private market holdings within each mandate is provided later on.

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

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
Capital Dynamics	Clwyd Clean Energy Wales	50	A Separately Managed Account that invest directly into projects in Wales, providing clean energy capacity and offsetting carbon emissions.
Copenhagen Infrastructure	Energy Transition Fund I	17	An Energy Transition Fund that will be an Article 9 Fund under the Sustainable Finance Disclosure Regulation. The Fund invests into electrolysers, ammonia plants, as well as first-generation renewable power generation such as wind and solar to generate green hydrogen, ammonia and eMethanol.
Activate Capital Partners	Activate Capital II	11	The Fund will make venture capital and growth equity investments in companies that provide technology products, services and solutions that enable energy development, smart mobility and industrial digitization.
ECI Partners	ECI 12	20	Will be an Article 8 Fund under the Sustainable Finance Disclosure Regulation. The Fund will invest in subsectors where the Firm has strong experience, including; Insurance, Date &

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
			Analytics, Compliance, Travel, SME services, Internet of Things, Digital Platforms, HCM, Cloud & Digital Services and Digital Healthcare.
Newcore	Strategic Situations Fund V	15	The Fund is a small, independent, UK-based real estate specialist, focused on social infrastructure investments. It is classified as a Sustainable Investor, meaning it has a strong sustainable focus.
Sandbrook Capital	Climate Infrastructure Fund I	17	The Fund focuses on both greenfield and brownfield opportunities across five core sectors: clean power generation, transmission and storage, energy use and efficiency, low carbon supply chains and low carbon services.

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

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

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

- 19.7% of the Fund's Impact and Place-Based portfolio has been invested in Wales
- 86 SME businesses have been supported through equity or debt finance since 2013, 20 of these are located in Wales.
- Over 13,400 people are employed and at least 1,800 jobs have been created in these businesses during the period of the Fund's investment (11% jobs and 12% jobs created in Wales).
- 3,369 new homes have been developed in areas where lower-cost homes are needed, 27% of these are affordable housing.
- 34 educational facilities have been acquired, with 2700 additional child spaces created (85% nursery spaces, 10% SEN, 5% independent school places)

- £50 million committed to the development of clean energy in Wales to begin being deployed in 2023.

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

Asset Class	Number of Funds
Property Open Ended Holdings	**5**
Schroders	1
Hermes	1
LAMIT	1
Legal & General	1
BlackRock	1
Property Closed Ended Holdings	**21**
Aberdeen Property Asia Select	1
Basecamp	1
BlackRock European Feeder	2
BlackRock US Residential	1
Darwin Leisure Property	2
Franklin Templeton	1
InfraRed Active Property	3
Newcore	2
North Haven Global Real Estate	3
Paloma Real Estate	2
Partners Group Global Real Estate	2
Threadneedle	1
Timber	**4**
BGT Pactual Timberland	1
Stafford Timberland	3
Agriculture	**2**
Insight Global Farmland	1

Asset Class	Number of Funds
GMO	1
Infrastructure	**21**
Access Capital Infrastructure	1
Arcus European Infrastructure	1
Brookfield	1
Carlyle Global Infrastructure	1
Copenhagen Infrastructure Partners	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 Real Assets	**53**

Asset Class	Number of Funds
Private Equity Direct Funds	**29**
Access Capital	1
Activate	1
Apax	5
Astorg	1
August Equity	3

Asset Class	Number of Funds
Capital Dynamics	3
Carlyle Group	1
Charterhouse	2
Dyal Capital Partners	1
ECI	2
FSN	1
Livingbridge	1
Marquee	1
North Haven	1
Oakley	1
Partners Direct	2
Permira	1
Unigestion	1
Private Equity Fund of Funds	**31**
Access Capital	4
Capital Dynamics	7
HarbourVest	5
JP Morgan Secondary’s	1
Partners Group	10
Standard Life	2
Unigestion	2
Local / Impact	**22**
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Fairfax	1

Asset Class	Number of Funds
Foresight	2
Generation	1
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1

Asset Class	Number of Funds
Private Debt	**9**
BlackRock	1
Bridgepoint	1
Carlyle Group	3
Neuberger Berman	2
Permira	1
Pinebridge	1

Appendix 7 – Clwyd Pension Fund Accounts

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For the year ended 31 March 2023

Fund Account

2021/22 £000		Note	2022/23 £000
	Dealings with members, employers and others directly involved in the Fund		
(85,253)	Contributions	7	(92,123)
(6,956)	Transfers in	8	(6,244)
(92,209)			**(98,367)**
	Benefits payable :		
66,875	Pensions	9	70,631
14,572	Lump sums (retirement)		14,354
2,251	Lump sums (death grants)		2,913
83,698			**87,898**
4,456	Payments to and on account of leavers	10	5,972
88,154			**93,870**
(4,055)	**Net (additions)/withdrawals from dealings with members**		**(4,497)**
25,766	Management expenses	11	28,701
21,711	**Net (additions)/withdrawals including fund management expenses**		**24,204**
	Returns on Investments		
(23,589)	Investment income	12	(34,269)
(262,709)	Change in market value of investments	13A	198,262
(286,298)	**Net return on investments**		**163,993**
(264,587)	**Net (increase)/decrease in the net assets available for benefits during the year**		**188,197**
(2,226,208)	**Opening net assets of the scheme**		(2,490,795)
(2,490,795)	**Closing net assets of the scheme**		**(2,302,598)**

Net Assets Statement

2021/22 £000		Note	2022/23 £000
2,485,770	**Investment Assets**	**13**	2,298,181
2,485,770	**Net Investment Assets**		**2,298,181**
294	**Long-term debtors**	**19**	378
6,962	**Debtors due within 12 months**	**19**	6,624
(2,231)	**Creditors**	**20**	(2,585)
2,490,795	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,302,598**

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

Notes To The Clwyd Pension Fund Accounts For The Year Ended 31 March 2023

Note 1 – Description Of The Fund

General

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

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

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

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

The accounts have been prepared in accordance with the 2022/23 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:

2021/22 No.		2022/23 No.
52	**Number of employers with active members**	**52**
	Number of employees in scheme	
5,552	Flintshire County Council	5,440
11,521	Other employers	12,231
17,073	**Total**	**17,671**
	Number of pensioners	
4,234	Flintshire County Council	4,473
10,300	Other employers	10,678
14,534	**Total**	**15,151**
	Deferred pensioners	
5,525	Flintshire County Council	5,703
12,363	Other employers	12,721
17,888	**Total**	**18,424**
49,495	**Total employees**	**51,246**

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 2023. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2022, the findings of which became effective on 1st April 2023. Employer contribution rates towards the future accrual of benefits for the year to March 2023 ranged from 11.5% to 29.4% of pensionable pay. From April 2023 the rates range from 10.5% to 33.1% of pensionable pay.

Benefits

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

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

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

Note 2 - Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

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

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

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

Note 3 – Summary Of Significant Accounting Policies

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

Investment income

- Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

Benefits payable

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

Management expenses

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

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

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

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

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

Taxation

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

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

Net Assets Statement

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account. Any amounts due or payable in respect of trades entered into but not yet complete at 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 2023 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 2022 valuation funding level of 105% to 95% as at 31 March 2022. A 0.25% p.a. reduction in the discount rate would in isolation have reduced the funding level to 101% (a 0.25% p.a. increase in assumed inflation, in isolation, would have a similar impact). A combination of the asset and discount rate changes would reduce the funding level to 91%.

Item	Uncertainties	Effect if actual results differ from assumptions
Value of investments at level 3	The Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement.	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

Note 6 - Post Balance Sheet Events

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31 March 2023. 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

2021/22 £000		2022/23 £000
(28,080)	Administering Authority - Flintshire County Council	(30,101)
(52,973)	Scheduled bodies	(57,964)
(4,200)	Admitted bodies	(4,058)
(85,253)	**Total**	**(92,123)**

By type

2021/22 £000		2022/23 £000
(18,250)	**Employees contributions**	**(20,006)**
	Employers' contributions:	
(51,918)	Normal contributions	(56,795)
(14,378)	Deficit recovery contributions	(14,770)
(707)	Augmentation contributions	(552)
(67,003)	**Total employers' contributions**	**(72,117)**
(85,253)	**Total contributions**	**(92,123)**

Note 8 – Transfers In From Other Pension Funds

2021/22 £000		2022/23 £000
(6,956)	Individual transfers	(6,244)
(6,956)	**Total**	**(6,244)**

Note 9 – Benefits Payable

By Authority

2021/22 £000		2022/23 £000
29,132	Administering Authority - Flintshire County Council	29,631
52,662	Scheduled bodies	56,439
1,904	Admitted bodies	1,828
83,698		**87,898**

By Type

2021/22 £000		2022/23 £000
66,875	Pensions	70,631
14,572	Commutation and lump sum retirement benefits	14,354
2,251	Lump sum death benefits	2,913
83,698		**87,898**

Note 10 – Payments To And On Account Of Leavers

2021/22 £000		2022/23 £000
4,054	Individual transfers	5,543
220	Refunds to members leaving service	328
182	Other	101
4,456	Total	**5,972**

Note 11 – Management Expenses

2021/22 £000		2022/23 £000
2,242	Administration costs	2,467
20,595	Investment management expenses	22,386
2,929	Oversight and governance costs	3,848
25,766	Total	**28,701**

The Oversight and Governance costs include the fees payable to Audit Wales for the external audit of the Fund of £47k for 2022/23 (£41k in 2021/22).

Note 11A – INVESTMENT MANAGEMENT EXPENSES

2022/23	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Investment Assets				
Pooled Funds	3,177	0	1,003	4,180
Other investments				
Pooled property investments	2,015	792	196	3,003
Private equity and joint venture funds	4,489	1,854	106	6,449
Infrastructure funds	3,055	631	81	3,767

2022/23	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
Timber and Agriculture	148	0	0	148
Private Debt	1,111	160	100	1,371
Impact / Local	1,944	988	378	3,310
	15,939	**4,425**	**1,864**	**22,228**
Custody Fees				158
Total				**22,386**

2021/22	Management Fees £000	Performance related fees £000	Transaction Costs £000	Total £000
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	1504	160	3,718
	14,185	**4,399**	**1,905**	**20,489**
Custody Fees				106
Total				**20,595**

Note 11B – WALES PENSION PARTNERSHIP MANAGEMENT EXPENSES

2021/22 £000		2022/23 £000
135	Oversight and Governance	158
622	Transaction Costs	524
376	Fund Management Fees	406
67	Custody Fees	123
1,200	**Total**	**1,211**

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

2021/22 £000		2022/23 £000
	Pooled Funds	
6,043	Income from multi asset credit	8,392
2,254	Income from global equity	3,045
1,486	Income from emerging market equity	7,086
	Other investments	
3,529	Income from pooled property investments	4,083
1,225	Income from private equity and joint venture funds	363
5,169	Income from infrastructure funds	4,292
60	Income from timber & agriculture funds	0
3,088	Income from private debt	3,091
677	Income from impact / local funds	3,230
17	Interest on cash deposits	556
41	Other income	131
23,589		**34,269**

Note 13 – Investments

2021/22 £000		2022/23 £000
	Investment Assets	
	Pooled Funds	
246,032	Multi asset credit	230,688
273,120	Diversified growth funds	262,537
596,076	Liability Driven Investment	663,896
157,982	Hedge Fund of Funds	159,281
263,295	Global equity	130,027
220,789	Emerging Market Equity	115,712
	Other investments	
146,325	Pooled property investments	133,422
201,521	Private equity and joint venture funds	205,945
124,721	Infrastructure funds	130,888

2021/22 £000		2022/23 £000
14,125	Timber and Agriculture	12,074
52,592	Private Debt	61,769
79,332	Impact/ Local	93,352
2,375,910		2,199,591
109,860	Cash deposits	98,590
2,485,770	Total investment assets	2,298,181

During the year the Fund transitioned £215.5m of Global Equities from BlackRock and Emerging Market Equities from Russell (WPP) to Insight Liability Driven Investment and Cash. The breakdown is shown below.

Manager / Mandate	Redemptions £000s	Subscriptions £000s
Russell (WPP) Emerging Market Equity	(90,000)	
BlackRock Global Equity	(125,471)	
Insight Liability Driven Investment		210,000
Cash		5,471
	(215,471)	215,471

Note 13 A – Reconciliation Of Movements In Investments And Derivatives

	Market value 1 April 2022 £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31 March 2023 £000
Investment Assets					
Pooled Funds					
Multi asset credit	246,032	8,181	0	(23,525)	230,688
Diversified growth funds	273,120	0	(153)	(10,430)	262,537
Liability Driven Investment	596,076	390,000	(152,725)	(169,455)	663,896
Hedge Fund of Funds	157,982	0	(130)	1,429	159,281
Global equity	263,295	2,833	(125,497)	(10,604)	130,027
Emerging Market Equity	220,789	6,456	(90,000)	(21,533)	115,712
Other investments					
Pooled property investments	146,325	10,225	(5,805)	(17,323)	133,422

	Market value 1 April 2022 £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31 March 2023 £000
Private equity and joint venture funds	201,521	29,123	(50,454)	25,755	205,945
Infrastructure funds	124,721	13,591	(23,320)	15,896	130,888
Timber and Agriculture	14,125	0	(3,939)	1,888	12,074
Private Debt	52,592	12,572	(6,854)	3,459	61,769
Impact / Local	79,332	17,354	(9,515)	6,181	93,352
	2,375,910	490,335	(468,392)	(198,262)	2,199,591
Cash deposits	109,860				98,590
Currency Loss	0			0	
Amount receivable for sales	0			0	
Total investment assets	2,485,770			(198,262)	2,298,181

	Market value 1 April 2021 £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31 March 2022 £000
Investment Assets					
Pooled Funds					
Multi asset credit	250,378	5,842	0	(10,188)	246,032
Diversified growth funds	231,022	0	(143)	42,241	273,120
Liability Driven Investment	500,832	0	(1,624)	96,868	596,076
Hedge Fund of Funds	145,594	0	(185)	12,573	157,982
Global equity	231,367	2,031	(14)	29,911	263,295
Emerging Market Equity	231,836	240,924	(230,949)	(21,021)	220,789
Other investments					
Pooled property investments	132,870	4,582	(9,195)	18,068	146,325
Private equity and joint venture funds	193,497	24,639	(59,574)	42,960	201,521
Infrastructure funds	106,609	13,133	(16,254)	21,233	124,721
Timber and Agriculture	17,555	0	(5,544)	2,114	14,125
Private Debt	52,967	8,077	(12,588)	4,136	52,592
Impact / Local	58,170	16,513	(19,232)	23,881	79,332
	2,152,698	315,740	(355,302)	262,776	2,375,910
Cash deposits	67,282				109,860
Currency Loss	0			(67)	
Amount receivable for sales	2,812			0	
Total investment assets	2,222,792			262,709	2,485,770

Note 13b – Analysis By Fund Manager

2021/22			2022/23	
£000	%		£000	%
Pooled Investments				
596,583	25.1%	Russell Investments	476,427	21.7%
133,533	5.6%	Blackrock (Passive)	0	0.0%
730,116	**30.7%**		**476,427**	**21.7%**
Investments managed outside Wales Pension Partnership				
596,076	25.1%	Insight	663,896	30.2%
273,120	11.5%	Mobius	262,537	11.9%
157,982	6.7%	MAN Group	159,281	7.2%
618,616	26.0%	Private Markets	637,450	29.0%
1,645,794	**69.3%**		**1,723,164**	**78.3%**
2,375,910	**100%**		**2,199,591**	**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.

2021/22		Manager	Holding	2022/23	
£000	%			£000	%
596,076	25	Insight	LDI Active 22 Fund	663,896	30

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 2023 the total value of all WPP stock on loan was £454,055,992. Total net revenue during 2022/23 was £1,129,506 of which the Clwyd Pension Fund received £55,787.

Note 14 – Derivatives

No derivative instruments were held by Clwyd Pension Fund at 31 March 2023 or 31 March 2022.

Note 15 - Fair Value Of Investments

Fair Value – Basis of valuation

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

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

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

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

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

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Unquoted equity investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Unquoted fixed income	Level 2	Average of broker prices	Evaluated price fees	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
bonds and unit trusts				
Unquoted pooled fund investments	Level 2	Average of broker prices	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds and hedge funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled Property Funds and hedge funds where regular trading does not take place	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's 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 2023 and 31 March 2022.

2022/23	Potential variation in fair value %	Value at 31 March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	15.3	133,422	153,835	113,008
Private equity and joint venture funds	24.4	205,945	256,195	155,694
Infrastructure funds	15.8	121,603	140,816	102,390
Timber and Agriculture	5.5	12,074	12,738	11,410
Private Debt	11.1	61,769	68,625	54,913
Impact/ Local	24.5	93,352	116,223	70,481
		628,165	748,432	507,896

2021/22	Potential variation in fair value %	Value at 31 March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	14.1	132,233	150,878	113,588
Private equity and joint venture funds	25.0	201,521	251,901	151,140
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	99,165	59,499
		594,356	707,201	481,510

Note 15a – Fair Value Of Hierarchy

The following table shows the position of the Fund's assets at 31 March 2023 based on the Fair Value hierarchy:

Values at 31 March 2023	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
Multi Asset Credit		230,688		230,688
Diversified growth funds		262,537		262,537
Liability Driven Investment		663,896		663,896
Hedge Fund of Funds		159,281		159,281
Global equity		130,027		130,027
Emerging Market Equity		115,712		115,712
Other investments				
Pooled property investments			133,422	133,422
Private equity and joint venture funds			205,945	205,945
Infrastructure funds	9,285		121,603	130,888
Timber and Agriculture			12,074	12,074
Private Debt			61,769	61,769
Impact/Local			93,352	93,352
	9,285	1,562,141	628,165	2,199,591
Cash deposits	98,590			98,590
Total investment assets	107,875	1,562,141	628,165	2,298,181

Values as at 31 March 2022	Quoted market price £000	Using observable inputs £000	Significant observable inputs £000	Total £000
Investment Assets				
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	132,233	146,325
Private equity and joint venture funds			201,521	201,521
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	594,356	2,375,910
Cash deposits	109,860			109,860
Total investment assets	120,028	1,771,386	594,356	2,485,770

Note 15b: Reconciliation Of Fair Value Measurements Within Level 3

	Value at 31 March 2022	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31 March 2023
Other Investments						
Pooled property investments	132,233	10,225	(4,387)	(7,231)	2,582	133,422
Private equity and joint venture funds	201,521	29,123	(47,568)	3,376	19,493	205,945
Infrastructure funds	114,553	13,111	(22,168)	13,789	2,319	121,603
Timber and Agriculture	14,125	0	(3,796)	119	1,627	12,074
Private Debt	52,592	12,572	(6,267)	2,872	0	61,769
Impact/Local	79,332	17,354	(7,437)	127	3,976	93,352
	594,356	82,385	(91,623)	13,052	29,997	628,165

	Value at 31 March 2021	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Value at 31 March 2022
Other Investments						
Pooled property investments	121,401	4,582	(7,796)	11,314	2,731	132,233
Private equity and joint venture funds	193,496	24,639	(56,121)	16,221	23,286	201,521
Infrastructure funds	91,550	12,678	(15,501)	19,578	6,248	114,553
Timber and Agriculture	17,555	0	(5,412)	648	1,334	14,125
Private Debt	52,968	8,077	(12,413)	3,960	0	52,592
Impact/Local	58,171	16,513	(17,064)	15,470	6,242	79,332
	535,140	66,489	(114,307)	67,191	39,841	594,356

Note 16 - Classification Of Financial Instruments

2021/22				2022/23		
Fair Value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Fair Value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial Assets			
			Pooled Funds			
246,032			Multi asset credit	230,688		
273,120			Diversified growth funds	262,537		
596,076			Liability Driven Investment	663,896		
157,982			Hedge Fund of Funds	159,281		
263,295			Global equity	130,027		
220,789			Emerging Market Equity	115,712		
			Other investments			
146,325			Pooled property investments	133,422		
201,521			Private equity and joint venture funds	205,945		
124,721			Infrastructure funds	130,888		
14,125			Timber and Agriculture	12,074		
52,592			Private Debt	61,769		
79,332			Impact/ Local	93,352		
30,215	79,645		Cash	309	98,281	
	0		Other investment balances		0	
	392		Debtors		431	
2,406,125	80,037	0		2,199,900	98,712	0
			Financial liabilities			
		(543)	Creditors			(744)
2,406,125	80,037	(543)		2,199,900	98,712	(744)

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 £000s	3 year volatility range %	Value on increase £000s	Value on decrease £000s
As at 31 March 2022	2,485,821	8.30%	2,692,134	2,279,508
As at 31 March 2023	2,298,181	8.26%	2,487,962	2,108,401

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.

However, in the past 12 months, markets experienced a black swan event in light of the September gilt market crisis on the back of the mini-budget announcement. The announcement sent markets into crisis as investor confidence in UK Government issued debt spiraled downwards. As a result, yields on government bonds increased significantly, which ultimately led to the Bank of England stepping in to prevent further turmoil in markets and try to regain stability within markets.

Over the 12 months to 31 March 2023, long dated fixed interest gilt yields rose over 2%.

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 £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 2022		951,968	877,556	1,047,329
As at 31 March 2023		993,175	902,484	1,105,862

Currency Risk

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

Currency risk – sensitivity analysis

Assets exposed to currency risk	Value £000s	% change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2022	**1,011,606**	**16.29%**	**1,176,427**	**846,785**
As at 31 March 2023	**891,012**	**16.16%**	**1,024,663**	**757,360**

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 2023 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 2023, liquid assets were £1,571m representing 71% of total fund assets (£1,782m at 31 March 2022 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.

2021/22 £m		2022/23 £m
3,401	Present value of promised retirement benefits	2,398
(2,486)	Fair value of scheme assets	(2,298)
915	**Total**	**100**

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:

2021/22 %		2022/23 %
3.30	Inflation/pension increase rate assumption	2.70
4.55	Salary increase rate	3.95
2.80	Discount rate	4.80

Note 19 – Current Assets

2021/22 £000		2022/23 £000
294	**Long-term debtors**	378
	Short-term debtors	
1,642	Contributions due - Employees	1,588
4,882	Contributions due - Employers	4,583
389	Prepayments	431
49	Sundry debtors	22
6,962	**Total Short-term debtors**	**6,624**
7,256	**Total**	**7,002**

Note 20 – Current Liabilities

2021/22 £000		2022/23 £000
(170)	Contributions received in advance	(166)
(1,234)	Benefits payable	(1,319)
(7)	Administering authority	(14)
(17)	HMRC	(16)
(803)	Sundry creditors	(1,070)
(2,231)	**Total**	**(2,585)**

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.

2021/22 £000		2022/23 £000
1,089	Contributions in the year	**1,101**
	Value of AVC funds at 31 March:	
6,551	Prudential	5,585
300	Utmost (formerly Equitable Life)	289
6,851	**Total**	**5,874**

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.

2021/22 £000		2022/23 £000
453	Conwy County Borough Council	430
1,579	Denbighshire County Council	1,524
2,916	Flintshire County Council	2,849
18	Powys County Council	17
1,954	Wrexham County Borough Council	1,896
51	Coleg Cambria	47
49	Other employers	51
7,020	**Total**	**6,814**

Note 23 - Related Party Transactions

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31 March 2023, four Members of the Clwyd Pension Fund Committee had taken this option, with one being in receipt of a pension.

Two of the four Co-opted Members of the Pension Fund Committee are eligible to receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Flintshire County Council

During the year Flintshire County Council incurred costs of £2.3m (£2.1m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 11.

Key Management Personnel

The key management personnel of the Fund during 2022/23 were the Chair of the Pension Fund Committee, the Flintshire Chief Executive (to October 2022), the Head of the Clwyd Pension Fund (from October 2022) and the Flintshire S.151 officer. Total benefits attributable to key management personnel are set out below:

2021/22 £000		2022/23 £000
20	Short-term benefits	46
5	Post-employment benefits	(176)
25	**Total**	(130)

Note 24 - Contingent Liabilities And Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £277m (31 March 2022: £188m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the impact, private debt, private equity, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing 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 2023 - Statement By The Consulting Actuary

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

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

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

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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.55% per annum*	3.95% per annum**
Increases on pensions (in excess of GMP) / Deferred revaluation	3.4% per annum	2.8% per annum

* This is the long-term assumption. An allowance in line with that made at the 2019 actuarial valuation for short-term public sector pay restraint was also included.
** This is the long-term assumption. An allowance in line with that made at the 2022 actuarial valuation for short-term public sector pay restraint was also included.
The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

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

Start of period liabilities	£3,401m	
Interest on liabilities	£94m	
Net benefits accrued/paid over the period*	£57m	
Actuarial (gains)/losses (see below)	(£1,154m)	
End of period liabilities	**£2,398m**	

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

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a. In combination, these factors lead to a significant reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions, with a lower rate of long-term improvement of 1.5%. This acts to reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities.
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

Paul Middleman

Fellow of the Institute and

Faculty of Actuaries

Mark Wilson

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

August 2023

Appendix 8 – Financial Report

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Introduction

This report includes financial monitoring reports for the year 2022/23 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 2022/23

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Private Market portfolio for which the current strategic allocation was 29% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2022/23. 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.

2022/23	Budget £000	Actual £000	Variance £000
Opening Cash	**(75,898)**	**(79,645)**	
Payments			
Pensions	68,400	70,660	2,260
Lump Sums & Death Grants	16,000	17,183	1,183
Transfers Out	6,000	5,974	(26)
Expenses (excluding investments)	6,800	6,128	(672)
Tax Paid	100	111	11
Support Services	200	131	(69)
Total Payments	**97,500**	**100,187**	**2,687**
Income			
Employer Contributions	(49,000)	(56,977)	(7,977)
Employee Contributions	(17,200)	(20,070)	(2,870)
Employer Deficit Payments	(15,000)	(14,889)	111
Transfers In	(6,000)	(6,245)	(245)
Pension Strain	(1,200)	(670)	530
Income	(40)	(479)	(439)
Total Income	**(88,440)**	**(99,330)**	**(10,890)**
Cash-flow Net of Investment Income	**9,060**	**857**	**(8,203)**
Investment Income	(8,000)	(12,130)	(4,130)
Investment expenses	4,000	6,999	2,999
Total Net of In House Investments	**5,060**	**(4,274)**	**(9,334)**
In House Investments			
Draw downs	103,661	82,865	(20,796)
Distributions	(98,146)	(91,626)	6,520
Net Expenditure /(Income)	**5,515**	**(8,761)**	**(14,276)**
Total Net Cash-Flow	**10,575**	**(13,035)**	**(23,610)**
Movement to/from Managers	**0**	**(5,602)**	**(5,602)**
Closing Cash	**(65,323)**	**(98,282)**	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2026.

	2023/24 £000	2024/25 £000	2025/26 £000
Opening Cash	**(96,470)**	**(27,227)**	**(121)**
Payments			
Pensions	76,800	80,800	85,140
Lump Sums & Death Grants	16,000	16,000	16,000
Transfers Out	6,000	6,000	6,000
Expenses (excluding investments)	5,900	5,900	5,900
Tax Paid	100	100	100
Support Services	135	135	135
Total Payments	**104,935**	**108,935**	**113,275**
Income			
Employer Contributions	(60,000)	(62,800)	(65,200)
Employee Contributions	(20,200)	(21,000)	(21,800)
Employer (Deficit Payments)/Surplus Offset	9,200	11,600	12,000
Transfers In	(6,000)	(6,000)	(6,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(200)	(80)	(80)
Total Income	**(78,400)**	**(79,480)**	**(82,280)**
Cash-flow Net of Investment Income	**26,535**	**29,455**	**30,995**
Investment Income	(12,000)	(12,000)	(12,000)
Investment expenses	6,000	6,000	6,000
Total Net of In House Investments	**20,535**	**23,455**	**24,995**
In House Investments			
Draw downs	131,210	147,151	171,795
Distributions	(82,502)	(73,500)	(73,300)
Net Expenditure /(Income)	**48,708**	**73,651**	**98,495**
Total Net Cash-Flow	**69,243**	**97,106**	**123,490**
Rebalancing Portfolio	**0**	**(70,000)**	**(131,000)**
Closing Cash	**(27,227)**	**(121)**	**(7,631)**

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2022/23 compared to 2021/22. Management fees overall have increased primarily due to the increase in private market fees from additional commitments made during the year. Other significant changes were due to costs associated with the actuarial valuation process, and investment consultant costs in relation to the private markets portfolio and responsible investment reporting.

	Actual 2021/22 £000	Actual 2022/23 £000	Variance 2021/22 To 2022/23 £000
Governance Expenses			
Employee Costs	299	281	(18)
Support & Services Costs (Internal Recharges) including IT	23	18	(5)
Other (Transport, Supplies & Services)	65	64	(1)
Audit Fees	41	47	6
Actuarial Fees	493	926	433
Consultant Fees	1,066	1,548	482
Pooling (Consultants and Host)	144	163	19
Advisor Fees	533	586	53
Legal Fees	113	74	(39)
Pension Board	101	96	(5)
Total Governance Expenses	**2,878**	**3,803**	**925**
Investment Management Expenses			
Fund Manager Fees	19,490	21,298	1,808
Custody Fees	106	158	52
Performance Monitoring Fees	53	46	(7)
Pooling (Operator and FM costs)	998	930	(68)
Total Investment Management Expenses	**20,647**	**22,432**	**1,785**
Administration Expenses			
Employee Costs	1,242	1,391	149
Support Services Costs (FCC Recharges)	150	114	(36)
Premises	0	0	0
IT (Direct or External charged Services)	488	515	27
Other (Supplies & Services etc)	102	125	23
Outsourcing	41	0	(41)
Total Administration Expenses	**2,023**	**2,146**	**123**
Employer Liaison Team			
Direct Costs	218	320	102
Total Employer Liaison Team	**218**	**320**	**102**
Total Costs	**25,766**	**28,701**	**2,935**

The following table shows actual costs for 2022/23 compared to the budgeted costs along with the budget for 2023/24. Over 2022/23, excluding fund manager fees, the Fund operated under its budget over the year. Given that fund manager fees are based on asset values and can include performance fees, the expected budget for 2022/23 was lower than actual costs. Key variances against the budget during the year were underspends on consultant fees, IT, and employee costs due to vacant positions remaining unfilled.

	Actual 2022/23 £000	Budget 2022/23 £000	Variance 2022/23 £000	Budget 2023/24 £000
Governance Expenses				
Employee Costs	281	397	(116)	413
Support & Services Costs (Internal Recharges) including IT	18	27	(11)	17
Other (Transport, Supplies & Services)	64	95	(31)	95
Audit Fees	47	45	2	45
Actuarial Fees	926	879	47	722
Consultant Fees	1,548	1,627	(79)	1,087
Pooling (Consultants and Host)	163	197	(34)	215
Advisor Fees	586	517	69	598
Legal Fees	74	100	(26)	30
Pension Board	96	113	(17)	111
Total Governance Expenses	**3,803**	**3,999**	**(196)**	**3,333**
Investment Management Expenses				
Fund Manager Fees	21,298	16,275	5,023	19,755
Custody Fees	158	112	46	192
Performance Monitoring Fees	46	53	(7)	46
Pooling (Operator and FM costs)	930	500	430	885
Total Investment Management Expenses	**22,432**	**16,940**	**5,492**	**20,878**
Administration Expenses				
Employee Costs	1,391	1,433	(42)	1,636
Support Services Costs (FCC Recharges)	114	158	(44)	114
Premises	0	0	0	0
IT (Direct or External charged Services)	515	715	(200)	718
Other (Supplies & Services etc)	125	146	(21)	146
Outsourcing	0	0	0	0
Total Administration Expenses	**2,146**	**2,452**	**(306)**	**2,614**
Employer Liaison Team				
Direct Costs	320	363	(43)	396
Total Employer Liaison Team	**320**	**363**	**(43)**	**396**
Total Costs	**28,701**	**23,754**	**4,947**	**27,221**

Employers participating in the Fund at 31 March 2023

Contributions

52 bodies contributed to the Fund during 2022/23, 33 scheduled and 19 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 2022/23 are shown in the following table, as is the rate of contribution as a percentage of pensionable pay.

No new bodies have joined the Fund during 2022/23 and 2 bodies ceased participation in the year (which was an admitted body) i.e. at 31 March 2023. 50 participating employers remain. No bonds or any other secured funding arrangements have been facilitated.

Scheduled bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Flintshire County Council	23,422,485	22.7	6,388,073	6.2
Wrexham County Borough Council	21,023,807	22.6	5,731,735	6.2
Denbighshire County Council	17,458,075	23.4	4,645,468	6.2
Coleg Cambria	3,505,058	21.0	1,075,855	6.5
North Wales Fire Service	894,589	15.3	373,611	6.4
Glyndwr University	1,914,499	21.0	619,355	6.8
North Wales Valuation Tribunal	50,684	32.1	12,693	8.0
Rhyl Town Council	44,157	34.8	9,413	7.4
Hawarden Community Council	41,938	19.6	15,063	7.0
Prestatyn Town Council	28,796	18.0	11,228	7.0
Mold Town Council	20,732	16.9	7,990	6.5
Coedpoeth Community Council	14,073	16.8	5,025	6.0
Rhos Community Council	22,688	22.4	6,012	5.9
Holywell Town Council	16,719	20.1	5,232	6.3
Buckley Town Council	9,091	13.4	5,569	6.1
Caia Park Community Council	14,918	12.1	7,379	6.0
Denbigh Town Council	7,714	18.5	2,608	6.3
Offa Community Council	8,950	16.0	3,400	6.1
Shotton Town Council	5,071	20.0	1,163	4.6
Cefn Mawr Community Council	7,554	11.7	3,288	5.1
Acton Community Council	7,188	23.6	1,754	5.7
Flint Town Council	8,169	17.5	2,986	6.4
Gresford Community Council	5,610	22.3	1,440	5.7
Ruthin	6,843	16.0	2,704	6.3
Marchweil Community Council	3,618	29.8	887	7.3
Penyffordd Community Council	5,322	16.1	1,873	5.7
Hope Community Council	2,478	17.1	797	5.5
Broughton & Bretton	3,942	21.9	1,044	5.8
Bagillt Community Council	2,105	18.1	641	5.5
Northop Town Council	2,072	21.9	527	5.6

Gwernymynydd Community Council	1,945	31.3	371	6.0
Argoed Community Council	895	6.9	717	5.5
Connah's Quay Town Council	0	0.0	5,938	6.0
Total Scheduled Bodies	**68,561,785**		**18,950,376**	

Admitted bodies	Employer Contributions £	%	Employee contributions £	Avg %*
Newydd Catering & Cleaning Ltd	518,670	21.8	135,340	5.7
Denbighshire Leisure	956,252	16.8	347,490	6.1
Aura Leisure & Libraries Ltd	514,906	17.2	188,074	6.3
Careers Wales	260,469	15.9	104,823	6.4
Civica UK	82,348	15.5	34,918	6.6
Home Farm trust Ltd	79,942	17.5	27,336	6.0
Freedom Leisure	100,598	16.0	40,049	6.4
Holywell Leisure Ltd	35,026	14.7	12,823	5.4
Glyndwr Student's Union	19,474	12.1	9,953	6.2
Aramark Ltd	16,846	16.8	5,613	5.6
Cartref NI	13,545	21.0	3,863	6.0
Hafan Deg (KL Care)	4,875	23.0	1,206	5.7
Churchills	5,891	19.6	1,653	5.5
Dolce	7,298	21.7	1,850	5.5
Denbigh Youth Project	3,950	14.2	7,810	28.0
Cartref Y Dyffryn Ceiriog	0	0.0	4,385	6.0
Theatre Clwyd Music Trust	92,857	19.5	28,665	6.0
Theatre Clwyd Trust	251,410	18.4	90,380	6.6
Aramark Ltd B	38,460	26.6	9,148	6.3
Total Admitted Bodies	**3,002,817**		**1,055,379**	
Total Contributions	**71,564,602**		**20,005,755**	

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

We are able to charge interest on overdue contributions during the financial year. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned. Employer D in the table below changed its payroll provider during the year leading to late payments on two occasions. Employer F has now exited the Fund.

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 £248,478 (0.35% of the total employer contributions).

Employer	Late Occasions	Contributions (£)
A	3	2,419
B	1	3,535
C	1	427
D	2	224,475
E	1	500
F	7	3,635
G	1	4,745
H	1	8,742

Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2023.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	115,712	130,027	245,739
Alternatives	251,476	385,974	421,818	1,059,268
Bonds & LDI	663,896	0	230,688	894,584
Property (Direct)	0	0	0	0
Cash	98,590			98,590
Total	**1,013,962**	**501,686**	**782,533**	**2,298,181**

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 2023.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	7,086	3,044	10,130
Alternatives	10,274	4,785	0	15,059
Bonds & LDI	0	0	8,392	8,392
Property (Direct)	0	0	0	0
Cash	688	0	0	688
Total	**10,962**	**11,871**	**11,436**	**34,269**

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	22/23 £000	Avg bps	21/22 £000
CORE (71% of Fund)	**63**	**9,765**	**54**	**9,526**
Total expenses including AMC	20	3,177	17	2,946
Underlying Fees (includes performance and transaction fees)	36	5,585	30	5,295
Performance Fees	0	0	0	0
Transaction Fees	7	1,003	7	1,285
NON CORE (29% of Fund)	**311**	**19,848**	**302**	**18,643**
Total expenses including AMC	200	12,762	182	11,239
Underlying Fees (includes performance and transaction fees)	28	1,800	39	2,386
Performance Fees	69	4,425	71	4,399
Transaction Fees	14	861	10	619
Total underlying fees	34	7,385	32	7,681
Total direct fees	101	22,228	86	20,488
Total fees	**135**	**29,613**	**118**	**28,169**
Net Assets (Core)		1,562,141		1,757,294
Net Assets (Non-Core)		637,450		618,616
Total Net Assets (excluding cash)		**2,199,591**		**2,375,910**

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 71% (74% in 2021/22) of the Fund assets but only 33% (34% in 2021/22) 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 29% (26% in 2021/22) of the Fund assets the proportion of fees amounts to 67% (66% in 2021/22). These figures include the underlying fees. In comparison, excluding underlying fees, the proportion of fees for core assets is 19% (21% in 2021/22) and non-core, 81% (79% in 2021/22). 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 a decrease in current assets of £254k in 2022/23. Current liabilities increased by £354k. primarily as a result of an increase of an increase in the amounts due to Sundry Creditors.

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

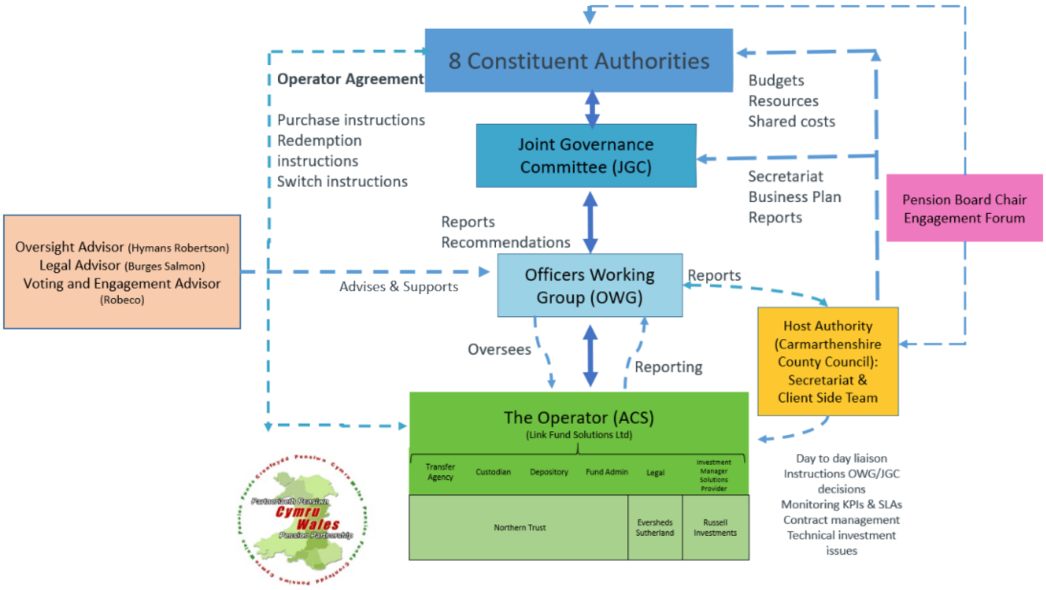
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history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

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

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

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

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

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.

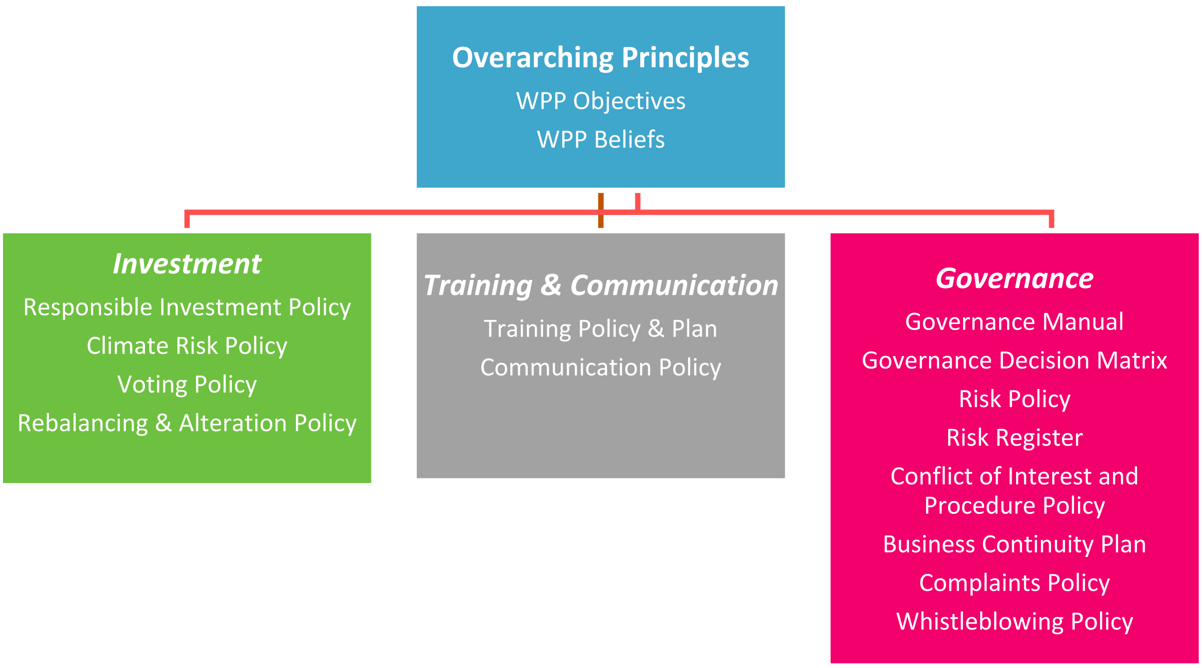
Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

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.

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 2022/23:

Topic	Product Knowledge	Date
Private Market Allocators/ Active Sustainable Equities	Sustainable Equities: Private Credit / Infrastructure Asset classes and role of Allocator	22 Sep 2022
Governance & Administration / Roles & Responsibilities	WPP Governance and Administration, and Roles and Responsibilities within the WPP	19 Oct 2022
RI for WPP / Stewardship Code / TCFD Reporting	Responsible Investments for WPP / Stewardship Code / TCFD Reporting	5 Dec 2022
Stock lending	Stock Lending	13 Feb 2023
LGPS pools and collaboration	Progress of other LGPS Pools / Collaboration Opportunities	27 Feb 2023

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 WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled 70% of assets.

As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity Fund	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity Fund	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity Fund	Russell Investments	October 2021	354,601	1.6
Global Credit Fund	Russell Investments	July 2020	693,665	3.1
Global Government Bond Fund	Russell Investments	July 2020	481,417	2.1
UK Credit Fund	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit Fund	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investments not yet pooled			6,812,892	30.3
Total Investments across all 8 Pension Funds			**22,455,380**	**100**

	31 March 2023 £000	%
Global Opportunities Equity Fund	130	5.9
Multi Asset Credit	231	10.5

	31 March 2023 £000	%
Emerging Market Equity Fund	116	5.3
Investments not yet pooled	1,723	78.3
Total Investment Assets excluding cash	**2,200**	**100**

The above table summarises the Clwyd Pension Fund's assets currently managed by WPP as at 31 March 2023, together with the assets that remain under the direct oversight of the Fund, excluding cash.

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 2023 was £158k, 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.

2021/22 £000	WPP pooling costs	2022/23 £000
20	Host Authority Costs *	21
114	External Advisor Costs *	137
622	Transaction Costs (Direct) **	524
756	**Total**	**682**

* Host Authority and External Advisor costs are recharged directly to the fund
** Transaction Costs (Direct) costs are shared as a proportion of total AUM.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP. These are split by direct costs which are disclosed in the Fund accounts as directed by CIPFA and those indirect costs for underlying managers which we disclose on page 141 of this Annual Report.

	Fees charged £000				
	Total Expenses including AMC	Performance Fees	Transaction Costs	Custody	Total
Asset Pool					
Direct	432	0	524	123	1,079
Indirect (Underlying)	1,302	0	0	0	1,302
Total	**1,734**	**0**	**524**	**123**	**2,381**
bps	0.36	0.00	0.11	0.03	0.50
Non Asset Pool	15,507	4,425	1,340	35	21,307
Direct	3,209	2,487	387	0	6,083
Indirect (Underlying)	**18,716**	**6,912**	**1,727**	**35**	**27,390**
Total	1.09	0.40	0.10	0.00	1.59
bps	15,507	4,425	1,340	35	21,307
Fund Total	**20,450**	**6,912**	**2,251**	**158**	**29,771**
bps	0.93	0.31	0.10	0.01	1.35

Asset Allocation and performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund’s legacy managers as at 31 March 2023.

	Opening Value £000	%	Closing Value £000	%	Net Performance %	Local Target %
Pool Assets						
Global Equities Passive	133,533	5.4	0	0.0	**N/A**	**N/A**
220,789 8.9115,7125.0-**1.6-3.5**Emerging Market Equities Active	129,762	5.2	130,027	5.7	**0.2**	**0.5**
Global Equities Active	246,032	9.9	230,688	10.0	**-7.1**	**6.3**
Bonds Active	**730,116**	**29.4**	**476,427**	**20.7**		
Total Pool Assets	133,533	5.4	0	0.0	**N/A**	**N/A**
Non- Pool Assets						
Diversified Growth	273,120	11.0	262,537	11.4	**-3.8**	**13.3**
Liability Driven Investment	596,076	24.0	663,896	28.9	**-34.8**	**-34.8**
Hedge Funds	157,982	6.4	159,281	6.9	**0.8**	**5.8**
Property	146,325	5.9	133,422	5.8	**-9.2**	**-14.7**
Private Equity	201,521	8.1	205,945	9.0	**13.7**	**7.4**
Local/ Impact	79332	3.2	93,352	4.1	**22.9**	**7.4**
Infrastructure	124,721	5.0	130,888	5.7	**19.6**	**7.4**
Private Debt	52,592	2.1	61,769	2.7	**9.5**	**7.5**
Timber & Agriculture	14,125	0.5	12,074	0.5	**29.2**	**7.4**
Cash*	109,860	4.4	98,590	4.3		
Total assets not yet pooled	**1,755,654**	**70.6**	**1,821,754**	**79.3**		
Total assets	**2,485,770**	**100**	**2,298,181**	**100**	-6.4	-4.6

Note: Performance shown for the 12 months to 31 March 2023.
*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 2022/23 was £1,328,759 (gross) / £1,129,506 (net) of which the Clwyd Pension Fund received £55,787 with £454,055,992 out on loan as at 31 March 2023.

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

Objectives 2023/24

Following the launch of a number of sub-funds to date, progress will continue 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 have assisted the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

New Sub Funds

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2022/23. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due mid-2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

Other Objectives

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

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.

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 47 other large and small employers in North East Wales.

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

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

Governance & Delegation

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

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

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

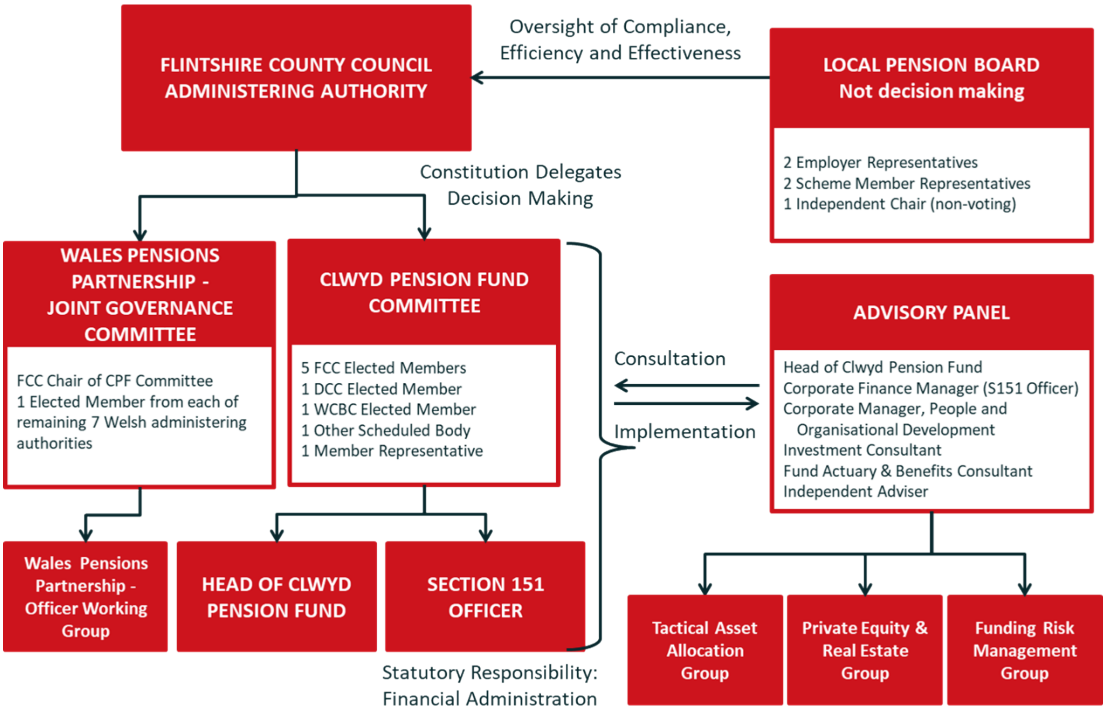
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The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

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

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

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

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



Strategy & Policy

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement, 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, Knowledge and Skills Policy, Cyber Strategy and Anti-Fraud and Corruption Policy which support the governance framework.

Use of financial data

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

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

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

Risk Management

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

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

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

The risks currently identified as key risks are shown in the section of the Fund's Annual Report which deals with 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 2022/23 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

Whilst there was a move from remote to hybrid working in 2022/23, Committee and Pension Board meeting continued to be virtual throughout the year. A move to hybrid meetings is currently underway.

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 2022/23 but some refinement or addition of controls would enhance the control environment, and key objectives could be better achieved with some relatively minor adjustments.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2022/23 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.

SIGNATURE	SIGNATURE
DATE	DATE

Section 4 - Glossary

Active member
A current employee who is paying contributions to the Fund.

Actuary
An independent professional who advises the Administering Authority on the financial position of the Fund. Every three years the Actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates - both to meet the cost of any future benefit accrual, and also rectify any difference in assets and liabilities for accrued benefits.

Additional Voluntary Contributions (AVC)
An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

Administering Authority:
Flintshire County Council is the Administering Authority of the Clwyd Pension Fund and is responsible for managing and administering the LGPS in relation to its members. This includes maintaining and investing the Fund's assets.

Admitted Body
An organisation who has entered into a service agreement with a Scheme employer. Flintshire County Council, as the Administering Authority, and the relevant parties to the service agreement enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.

Alternatives
An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts

Asset Allocation
The apportionment of a fund's assets between different types of investments (or asset classes). The asset allocation is monitored on a regular basis depending on the agreed tolerances set out in the Investment Strategy. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.

Benchmark
A measure against which the investment policy or performance of an investment manager can be compared.

Consumer prices index (CPI)
CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. Pension increases in the LGPS are linked to the annual change in CPI. Currently CPI is lower than RPI (see RPI comment below).

CPIH
This is a broader measure of inflation based on CPI including owner occupiers' housing costs.

Corporate Bonds
Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent

'loans' to the companies which are repayable on a stated future date (for definitions of "fixed interest" and "index-linked" see 'Fixed Interest Government Securities' and 'Index-linked Government Securities').

Custodian
This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

Deferred Members
Scheme members who have left employment or ceased to be an active member of the Scheme whilst remaining in employment, but retain an entitlement to a pension from the Scheme.

Direct property
Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Diversified Growth Funds (DGF)
An alternative way of investing in shares, bonds, property and other asset classes.

Employer Contribution Rates
The percentage of the salary of members that employers pay as a contribution towards the members' pension.

Equities
Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Equity risk premium
Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

Fixed Interest Securities
Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Strategy Statement
This is a formal document setting out how the Administering Authority will determine employers' contributions to the Fund and how it will manage its funding risks. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.

Hedge Funds
Also known as "absolute return funds', these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits.

Index
A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Indexed-Linked Government Securities

Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the Government are adjusted to allow for inflation. Investments in government stocks which are repayable on a stated future date.

Investment Strategy Statement

This is a formal document setting out the Administering Authority's objectives and attitude to investment risk and sets out what the long term investment strategy will be i.e. how the Fund's assets will be distributed among different asset classes. The statement should be kept under review, at least every three years with any amendments being subject to consultation with stakeholders.

Liability Driven Investment (LDI)

LDI is a risk management strategy that aims to mitigate the Fund's exposure to interest rate and inflation risks.

Market Value

The price at which an investment can be bought or sold at a given date.

Multi Asset Credit

The price at which an investment can be bought or sold at a given date.

Passive Investing (Indexation)

An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.

Pooled Funds

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity

Private equity is the ownership of companies that are not listed on a public stock exchange.

Retail Price Index (RPI)

A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax. From 2030 onwards, the calculation of RPI will be more closely aligned with that of CPIH.

Return

The total gain from holding an investment over a given period, including income and any increase or decrease in market value

Risk Management Framework

The Fund has established a framework with the aim of providing stability of funding and employer contribution rates in the long term. The framework includes the following strategies that seek to manage a variety of financial risks - Funding Level Monitoring, Liability Hedging, Synthetic Equities, Currency Hedging, Collateral Management, Realisation of Investments, Cash Management and Stock Lending.

Scheduled Body

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Unrealised Gains/Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Wales Pension Partnership (WPP)

An investment pool comprising of the Welsh LGPS Funds. WPP is one of eight LGPS investment pools in England and Wales. LGPS investment pools aim to increase pension fund investment efficiency and make it easier to access more asset classes.

Section 5 – Regulatory Documents

Clwyd Pension Fund Annual Report 2022/23

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.

- Governance Policy and Compliance Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Strategy

mss.clwydpensionfund.org.uk

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

Archwilio Cymru
Audit Wales

Clwyd Pension Fund – Detailed Audit Plan 2023

Audit year: 2022-23

Date issued: August 2023

Document reference: 3738A2023

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our Statement of Responsibilities.

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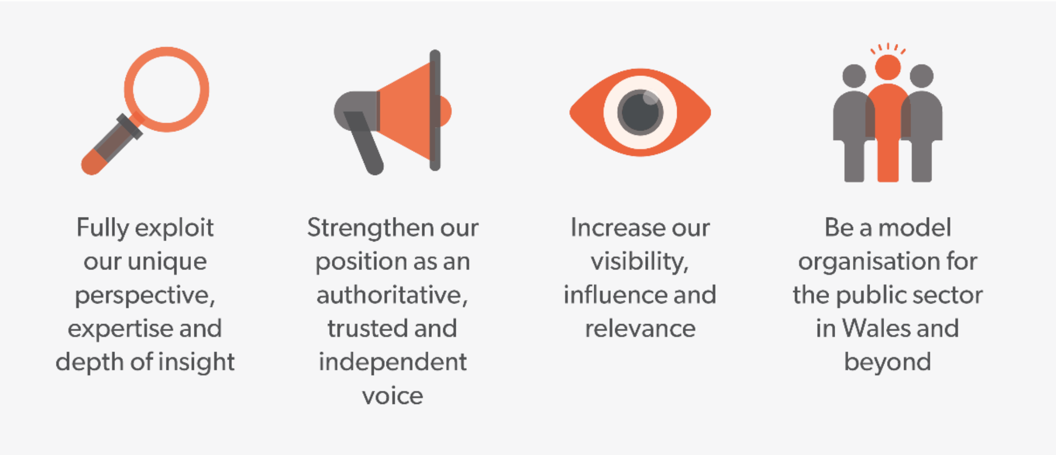
We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

About Audit Wales

Our aims and ambitions



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Introduction

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.

Adrian Crompton
Auditor General for Wales

Audit of financial statements

I am required to certify whether Clwyd Pension Fund's financial statements are 'true and fair'. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund financial statements as a whole.

I also have responsibility to receive questions and objections to the financial statements from local electors (additional fees will be charged for this work, if necessary).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

There have been no limitations imposed on me in planning the scope of this audit.

Your audit at a glance

My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk

- Management override of controls

Other areas of audit focus

- Valuation of Investment Assets
- Transfers into the Wales Pension Partnership

Materiality

Materiality	£24.917m
Reporting threshold	£1.246m

Financial statements materiality

Materiality £24.9 million

My aim is to identify and correct material misstatements, that is, those that might other cause the user of the accounts into being misled.

Materiality is calculated using:

- 2021-22 net asset value of £2,491,723 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).

Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Related party disclosures £1,000

Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].	We will: • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for bias; and • evaluate the rationale for any significant transactions outside the normal course of business;
As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments. They are accounted for at fair value determined by valuations provided by fund managers. External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement.	We will: • assess whether the information provided by fund managers and their auditors supports the year-end valuation; and • obtain direct confirmation from the fund managers of year-end investment balances and consider whether investment managers' internal control reports indicate specific risks to these balances.

Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Detailed Audit Plan	August 2023	August 2023
Audit of financial statements work: • Audit of Financial Statements Report • Opinion on the Financial Statements	September – November 2023	November 2023

Statutory audit functions

Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the estimated audit fee. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee and audit team

In January 2023 I published the fee scheme for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £46,704 (2022 £40,828)[1].

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Clwyd Pension Fund.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my local audit team

Name	Role	Contact number	E-mail address
Matthew Edwards	Engagement Director	02920 320663	Matthew.edwards@audit.wales
Michelle Phoenix	Audit Manager	02920 320660	Michelle.phoenix@audit.wales

[1] The audit fee is exclusive of VAT, which is not charged to you.

Name	Role	Contact number	E-mail address
Jodie Williams	Audit Lead	02920 829351	Jodie.williams@audit.wales

There are two potential conflicts of interest that I need to bring to your attention. The audit lead and an audit trainee are both deferred members of the pension fund. Safeguards have been put in place to mitigate any independence risks arising.

Audit quality

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

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our Audit Quality Report 2022.

Our People

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

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

Arrangements for achieving audit quality

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

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

Independent assurance

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

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

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include: • information on your organisation's business model and how it integrates the use of information technology (IT); • information about your organisation's risk assessment process and how your organisation monitors the system of internal control; • more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and • more detailed discussions with your organisation to support the audit team's assessment of inherent risk.
Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT	Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on: • IT applications relevant to financial reporting; • the supporting IT infrastructure (e.g. the network, databases); • IT processes (e.g. managing program changes, IT operations); and • the IT personnel involved in the IT processes. Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation. On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.

Key change	Potential impact on your organisation
Enhanced requirements relating to exercising professional scepticism	Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.
Risk assessments are scalable depending on the nature and complexity of the audited body	The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.
Audit teams may make greater use of technology in the performance of their audit	Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.

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

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Reference: AW/COF/ME/FE/22-23

Date Issued: 16 August 2023

[Issued via email]

Dear Gary and Ted,

Audit enquiries to those charged with governance and management

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

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

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

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

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 2022-23 financial statements.

I would be grateful if you could update the attached table in Appendix 1 to Appendix 3 for 2022-23.

The completed Appendix 1 to Appendix 3 should be formally considered and communicated to us on behalf of both management and those charged with governance by 30 September 2023. In the meantime, if you have queries, please contact Michelle Phoenix on 02920 320660 or via Michelle.phoenix@audit.wales.

Yours sincerely

Matthew Edwards

Appendix 1

Matters in relation to fraud

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

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

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

What are we required to do?

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

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

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

Enquiries of management – in relation to fraud

Question	2022-23 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?	The risk is considered to be low, because: 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. Regular budget monitoring reports are produced which would highlight areas of potential fraud.
2. Do you have knowledge of any actual, suspected or alleged fraud affecting the audited body?	No.
3. What is management's process for identifying and responding to the risks of fraud in the audited body,	FCC's Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan specify that whenever a matter arises

Enquiries of management – in relation to fraud

Question	2022-23 Response
including any specific risks of fraud that management has identified or that have been brought to its attention?	in relation to actual or potential fraud it is the responsibility of whichever Chief Officer's area of control it arises in to report it to Internal Audit, who will take whatever action necessary including appropriate reporting. The Annual Internal Audit Report reports on performance against the Anti-Fraud and Corruption Strategy.
4. What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?	Any transactions which are paid from either the CPF or FCC bank accounts would be at risk of fraud.
5. Are you aware of any whistleblowing or complaints by potential whistle blowers? If so, what has been the audited body's response?	None that CPF is aware of.
6. What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor monitors activity and produces an annual report. CPF Committee also receive regular

Enquiries of management – in relation to fraud

Question	2022-23 Response
	financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales
7. What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	The FCC intranet contains all the relevant policies which can be accessed by all officers of FCC at any time.
8. For service organisations, have you reported any fraud to the user entity?	No

Enquiries of those charged with governance – in relation to fraud

Question	2022-23 Response
1. Do you have any knowledge of actual, suspected or alleged fraud affecting the audited body?	No.
2. What is your assessment of the risk of fraud within the audited body, including those risks that are specific to the audited body's business sector?	An Anti-Fraud and Corruption Strategy was approved by the Clwyd Pension Fund Committee on 29 March 2023. There is an Annual independent external audit of the Fund's financial accounts to provide a further safeguard to prevent and detect fraud and corruption. In signing off the financial accounts the auditor's responsibilities including obtaining reasonable assurance that the Fund's financial statements are free from material misstatement whether due to fraud or error. Furthermore, the Chief Finance Officer and Chair of the Pension Fund Committee are required to sign a letter of representation declaring that they have fulfilled their responsibilities in the design, implementation, maintenance and review of internal controls to prevent and detect fraud and error. In addition there have been low occurrences of fraud to date.
3. How do you exercise oversight of:	CPF Committee regularly receive updated risk registers. They also receive internal audit reports and minutes of the meetings of the Pension Board. The Independent Advisor

Enquiries of those charged with governance – in relation to fraud	
Question	**2022-23 Response**
• management's processes for identifying and responding to the risk of fraud in the audited body, and • the controls that management has established to mitigate these risks?	monitors activity and produces an annual report. CPF Committee also receive regular financial monitoring reports. The CPF accounts are subject to external audit by Audit Wales.

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

Enquiries of management – in relation to laws and regulations

Question	2022-23 Response
1. Is the audited body in compliance with relevant laws and regulations? How have you gained assurance that all relevant laws and regulations have been complied with? Are there any policies or procedures in place?	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. 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
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations in the financial year, or earlier with an ongoing impact on this year's audited financial statements?	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 2022/23, and no Breach has had an impact on the preparation of the accounts
3. Are there any potential litigations or claims that would affect the financial statements?	None that CPF is aware of
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Enquiries of those charged with governance – in relation to laws and regulations	
Question	**2022-23 Response**
1. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the entity?	No
2. How does the Pension Fund Committee, in your role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	As part of the regular reporting cycle to each CPF Committee, the Committee receives updates on Governance matters, which includes reports on the activities of the Pension Board. Breaches are reported to CPF Committee and the Pension Board

Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

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

Enquiries of management – in relation to related parties

Question	2022-23 Response
1. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships? Confirm these have been disclosed to the auditor.	Note 23 in the accounts for 22/23 make all the necessary disclosures. There has been a change from October 2022 which now includes the disclosure of the Head of the Pension Fund, as agreed with Audit Wales in 21/22.

Enquiries of management – in relation to related parties

Question	2022-23 Response
2. What transactions have been entered into with related parties during the period? What is the purpose of these transactions? Confirm these have been disclosed to the auditor.	Note 23 of the accounts for 22/23 make all the necessary disclosures.
3. What controls are in place to identify, account for and disclose related party transactions and relationships?	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
4. What controls are in place to authorise and approve significant transactions and arrangements: • with related parties, and • outside the normal course of business?	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

Enquiries of those charged with governance – in relation to related parties	
Question	**2022-23 Response**
1. How does the Pension Fund Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	Members make appropriate declaration before each CPF Committee meeting. The Committee receive reports on the processes involved in the preparation of the CPF accounts which includes a Related Parties disclosure note.

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 30 August 2023
Report Subject	DLUHC Consultation on LGPS: Next steps on investments
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The government consultation on LGPS investments has now been released by the Department for Levelling Up, Housing & Communities (DLUHC). The consultation has requested responses, seeking views on the following five proposals:

1. Asset pooling
2. Levelling up
3. Investment opportunities in private equity
4. Improving the provision of investment consultancy services to the LGPS
5. Updating the LGPS definition of investments

The appendix to this report identifies the main points to be made in response to the consultation, covering all 15 questions. The points have been drafted from the Fund's specific point of view rather than the wider LGPS.

Following comments from the Committee, this will be finalised into the Fund's full consultation response, which should also be consistent with the views of WPP whose response has yet to be drafted and which the Fund's Officers will contribute towards.

DLUHC have noted that the consultation will close on 2 October 2023. The consultation can be read in full through the following link: [Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk)]

RECOMMENDATIONS	
1.	That the Committee note and comment on the main points identified for the DLUHC consultation response.
2.	That the Committee delegates responsibility for approving the final DLUHC consultation response to the Head of Clwyd Pension Fund.

REPORT DETAILS

1.00	Department for Levelling Up, Housing and Communities (DLUHC) Consultation Response

1.01	**Background**
	
	The DLUHC consultation in relation to LGPS investments has requested responses on five themes: asset pooling, levelling up, investment opportunities in private equity, improving the provision of investment consultancy services to the LGPS and updating the LGPS definition of investments.
	
	A summary of the key points within each theme has been provided below:
	
	Asset Pooling
	• Proposals to accelerate and expand pooling.
	• Proposed deadline of 31 March 2025 to transition at least all listed assets.
	• Government will consider action if progress is not seen, including making use of existing powers to direct funds.
	• Going forward, the expectation is that there will be a transition towards fewer pools to maximise benefits of scale, but this is not expected to apply to Wales.
	• A number of different proposals to increase transparency about what has been pooled, including requirements for annual reports.
	
	Levelling Up
	• Require funds to have a plan to invest up to 5% of assets to support levelling up, and a requirement to report annually against this.
	• 12 medium-term levelling up missions:
	    o Living Standards
	    o Research & Development
	    o Transport
	    o Digital Connectivity
	    o Education
	    o Skills
	    o Health
	    o Well-being
	    o Pride in place
	    o Housing
	    o Crime
	    o Local leadership
	• An investment would meet levelling up requirements if it makes a measurable contribution to one of the levelling up missions and it supports any local area within the United Kingdom.
	• Private markets mentioned as the principal way in which this can be implemented.
	• The Fund is already well positioned for this.
	
	Investment opportunities in private equity
	• Increasing investment into high growth companies via unlisted equity, including venture capital and growth equity.
	• Ambition of 10% allocation to private equity.

	• Compares to the Fund's current target allocation to private equity of 8%. **Improving the provision of investment consultancy services to the LGPS** • Proposed amendments to the LGPS's regulations to implement requirements for pension funds that use investment consultants. • Funds would need to set and monitor objectives for their investment consultants. In practice, the Fund is already doing this. **Updating the LGPS definition of investments** • Technical change to the definition of investments within LGPS regulations.
1.02	**DLUHC Consultation Response** The main points to be made in the Fund's response to the consultation have been identified. These have been drafted from the Fund's specific point of view rather than the wider LGPS. It is also suggested that the main response will be consistent with the views of the WPP, which is yet to be drafted. Officers will be having input into the WPP response. Although not stated in the consultation, it is understood that Funds within Wales will be exempt from potential pool size limitations. Based on this understanding, the Fund is in general agreement with the main themes of the consultation such as levelling up and private equity ambition targets, as well as the general reporting requirements suggested. The Fund also notes that it is already in compliance with all of these ambitions within the consultation but has provided a view to each ambition within its response. A summary of the key points is provided below: - The Fund was pleased to hear that decisions relating to the Fund's investment strategy will be retained locally, continuing to allow local control and accountability. - The Fund has developed good governance structures within the pool, which has enabled all constituent authorities to enact decisions. - At the time of creating a rented model in the WPP, the consensus in Wales was it would not be sustainable to create an in-house investment manager or have an investment team in Wales. - The Fund's priority is to maintain the Wales pool, rather than attempt to create any further potential fee savings through cross-border pooling. - The Fund has already transitioned all listed assets into the pool and notes that new private market commitments from 1 April 2023, are being made to available sub-funds within the WPP (subject to appropriate funds being available). - The Fund welcomes the opportunity to explain within the Fund's ISS reasons why holdings have not been pooled, in support of

transparency.

- The Fund does not support delegating investment strategy decisions to pools. The Fund seeks proper regulated investment advice, and foresees a conflict of interest with this proposal. For pools with several constituent authorities, this would also involve making decisions for several distinct investment strategies.
- The Fund disagrees with assertions that there is a need for Pension Funds to be aligning their investment strategies, but agrees that implementation should be fully delegated to the pool, for example if there is a concern on an underlying manager the pool should be able to move quickly and decisively.
- The Fund has a training policy and reports against the policy within the annual report. The Fund would be supportive of training being delivered on a national basis to reduce cost and improve consistency across the LGPS.
- The Fund is always supportive of transparency, and would comply with reporting requirements, however, the Fund would find a net savings report difficult to deliver, and does not see the value for the Fund in comparing against a national standard benchmark.
- Regarding the proposals for the Scheme Annual Report, the Fund would be supportive of an approach similar to that of the private sector, whereby a scheme return would be provided to SAB to meet regulations while allow funds to produce the annual report with fewer restrictions.
- The Fund believes the definition of levelling up investments is restrictive. For example, the missions appear to exclude renewable and clean energy, which the Fund views as a key part of levelling up. Rather than reporting against the 12 missions which are restrictive, the Fund prefers alignments with the Sustainable Development Goals (SDGs).
- In respect of the ambition to invest 10% into private equity, the Fund believes investment strategy decisions shouldn't be mandated centrally. As previously stated, the Fund supports local control and accountability. However, the Fund notes that its current strategy already complies with the ambition.
- The Fund would prefer that the definition be changed from private equity to private markets. For example, 40% of the Fund's private market holdings are sterling-based investments, and 77% of its impact/ place-based investments are based in the UK.
- Regarding the implementation of the Order through amendments to 2016 regulations and guidance, the Fund agrees with the proposal and is already in compliance with the order.

The Fund's draft of the main points can be found within the attached appendix.

1.03	The deadline for submission is 2 October 2023. Officers welcome any comments from Committee on the draft, which can be included in the final version. A full response to the consultation will be made which will incorporate details from the WPP and the Committee is asked to delegate responsibility for approval of the final consultation response to the Head of Clwyd Pension Fund.

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

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

4.00	**RISK MANAGEMENT**
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Funding and Investment risks: F6

5.00	**APPENDICES**
5.01	Appendix 1 – Draft DLUHC Consultation Response

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	1. The full DLUHC consultation can be accessed in the following link: Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk) **Contact Officer:** Philip Latham, Head of the Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	A list of commonly used terms are as follows: **(a) Administering authority or scheme manager** – Flintshire County

	Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (b) **Clwyd Pension Fund (the "Fund")** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (c) **Clwyd Pension Fund Committee (the "Committee**") – the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (d) **Department for Levelling Up, Housing and Communities (DLUHC)** – supports communities across the UK to thrive, making them great places to live and work. (e) **Levelling Up** – the government's aim to reduce regional inequalities within the UK. This will be done by spreading investment across the UK in areas such as education, skills, business, town regeneration, transport, cultural and heritage sites. (f) **Local Government Pension Scheme (LGPS)** – the national scheme, which Clwyd Pension Fund is part of. (g) **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. (h) **Wales Pension Partnership (WPP)** – a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017. **A comprehensive list of investment terms can be found via the following link:** https://www.schroders.com/en/uk/adviser/tools/glossary/

DLUHC Consultation on LGPS: Next steps on investments
Appendix 1 – Draft DLUHC Consultation Response

Q1 – Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Fund Response:

- The Fund was pleased to hear that decisions relating the Fund's investment strategy will be retained locally, continuing to allow local control and accountability.
- Pool size - In regards to larger and fewer pools, the Fund is content with the current position of the pool, for reasons previously stated (insert). The WPP has already been able to deliver significant savings for all 8 constituent authorities within the WPP.
- At the time of creating a rented model in WPP, the Fund did not feel it would be sustainable to create an in-house investment management team in Wales.
- Governance – WPP has established strong governance structures with the Pool which have enabled all constituent authorities to enact decisions. (Support wording with WPP response).
- The Fund is open to collaboration with joint vehicles, which the Fund already actively pursues with the current set up.
- The Fund supports the main ideas of the WPP response, which are (insert).
- The Fund agrees with the WPP's response which is (insert).

Q2 – Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Fund Response:

- The Fund has already transitioned all listed assets into the pool.
- New private market commitments from 1 April 2023 are being made to available sub-funds within the WPP (infrastructure, private debt) where this fits with the Fund's investment strategy requirements.
- We welcome explaining the reasoning for holding non-traditional assets outside the pool within the Fund's ISS.
- The Fund welcomes the opportunity to explain within the Fund's ISS and the reasons why holdings have not been pooled as this supports transparency.
- The Fund supports the WPP's response (insert).

Manager	Mandate	Strategic Allocation 22/23 (%)	Explanation for not pooling
Pooled Funds		**32.0**	
WPP	Sustainable Active Equity	15.0	Already pooled
WPP	Emerging Equity	5.0	Already pooled
WPP	Multi-Asset Credit	12.0	Already pooled
Non-pooled Funds		**68.0**	
ManFRM	Hedge Funds	5.0	Not yet available within WPP.
Various	Best Ideas Portfolio	11.0	Tactical portfolio not yet available within WPP.
Various	Property	4.0	Not yet available within WPP.
Various	Private Equity	8.0	New commitments to be taken via WPP.
Various	Local/Impact	6.0	Not yet available within WPP.
Various	Infrastructure	8.0	New commitments to be taken via WPP.
Various	Private Credit	3.0	New commitments to be taken via WPP.
Insight	CRMF	23.0	Not yet available within WPP

Q3 - Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Fund Response:

- Delegated strategy decisions – The Fund does not support delegating investment strategy decisions. The Fund seeks proper regulated investment advice, and foresees a conflict of interest if this is delegated to pools. For pools with several constituent authorities, this would also involve making decisions for several distinct investment strategies.

- ***"Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds."***
    - The Fund agrees with this statement.
- ***"For this reason, we do not see inter-pool competition as a desirable progression."***
    - The Fund agrees with this statement.
- ***"This does not preclude the potential for inter-pool collaboration, which is encouraged by government***."
    - (Take view from WPP)
- ***"Pools should be actively advising funds regarding investment decisions, including investment strategies."***
    - The Fund is concerned on whether the pool is regulated to give advice. Secondly, if the pool is regulated the conflict of interest that arises from this set up.
- ***"Pools should be equipped to implement an investment strategy as instructed by their partner fund."***
    - The Fund agrees with this statement.

- ***"An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets."***
  - The Fund believes that the Committee with the help of Officers and taking appropriate advice is in the best position to set and monitor the investment strategy for the Fund. The Committee will instruct the Pool to invest specific amounts in their fund range in order to achieve their desired investment strategy. The Fund would support a minimum allocation to a given asset class in order to balance diversification benefits and governance burden. The Fund agrees that it would not be appropriate for the investment strategy to specify specific underlying holdings within an asset class, and this is best left to the underlying investment managers to determine. The Fund also believes that not all risks can be efficiently managed through just a broad asset allocation given the specific nature of the Fund's liabilities and the specific circumstances of the Fund.
- ***"Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling."***
  - The Fund agrees that sub-funds should be limited in order to access the benefits of pooling. However, sub-funds need to continue to develop to ensure they meet individual needs of the funds, for example, responsible investment or net zero targets.
- ***"Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund."***
  - The Fund disagrees with assertions that there is a need for funds within a pool to be aligning their investment strategies, however, implementation should be fully delegated to the pool, for example, if there is a concern regarding an underlying manager the pool should be able to move quickly and decisively. The Fund agrees with the notions of retaining local control and accountability paragraph 8 and 22, where possible.

Q4 - Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Fund Response:

- The Fund has a training policy and report against the policy within the annual report. The Fund would be supportive of training being delivered on a national basis to reduce cost and improve consistency across the LGPS.

Q5 - Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Fund Response:

- The Fund is always supportive of transparency, and would comply with reporting requirements, however, the Fund would find a net savings report difficult to deliver, and does not see the value for the Fund in comparing against a national standard benchmark.
- The Fund would be supportive of an approach similar to that of the private sector, whereby a scheme return would be provided to SAB to meet regulations and allowing Funds to produce the annual report with fewer restrictions.

Q6 - Do you agree with the proposals for the Scheme Annual Report?

Fund Response:

- The Fund is supportive of the Scheme Annual Report.
- As above - the Fund would be supportive of an approach similar to that of the private sector, whereby a scheme return to be provided to SAB to meet regulations while allowing funds to produce their annual report with fewer restrictions.

Q7 – Do you agree with the proposed definition of levelling up investments?

Fund Response:

- The Fund does agree that institutional pension funds can contribute to levelling up.
- The Fund believes the definition of levelling up investments is restrictive. For example, the missions appear to exclude renewable and clean energy, which is a key part of levelling up. Rather than reporting against the 12 missions which are restrictive, the Fund would prefer alignment with the Sustainable Development Goals (SDGs).
- The Fund already invests in levelling up investments as defined by the Good Economy and reports against this in its Annual Report.

Q8 – Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Fund Response:

- The Fund agrees in principle, however the Fund's preference is to continue to make arrangements with WPP as a priority.
- The Fund is supportive of other funds investing in mandates across pools.

Q9 – Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Fund Response:

- The Fund has analysed private market commitments with the support of The Good Economy. The analysis identified that current commitments of c. £200m (c.9% of total Fund assets) were invested in line with levelling up.
- The Fund will continue to commit to UK place-based opportunities as they arise, where these are an appropriate fit for the Fund's investment strategy requirements.

Q10 – Do you agree with the proposed reporting requirements on levelling up investments?

Fund Response:

- The Fund supports reporting and already does so on an annual basis, but does this based on commitments as well as the current invested capital.

Q11 – Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Fund Response:

- The Fund believes investment strategy decisions shouldn't be mandated centrally. As previously stated, the Fund supports local control and accountability.
- The Fund already has what it considers to be a "diversified but ambitious investment portfolio" with a c.29% strategic allocation to private market mandates, within which 8% is strategically allocated to private equity, and private equity is included within the 6% strategic allocation to the local/ impact portfolio.
- The Fund would prefer that the definition be changed from private equity to private markets. For example, 40% of the Fund's private market holdings are sterling-based investments, and 77% of the Fund's impact/ place-based investments are based in the UK.
- Barriers – The barrier is the level of risk, on which the Fund has taken regulated advice, and the cost of investment with underlying managers.

Q12 – Do you agree that LGPS should be supported to collaborate with the British Business Bank (BBB) and to capitalise on the Bank's expertise?

Fund Response:

- Fund Officers are already in discussion with the BBB with the view of the Fund being open to collaboration. The Fund would undertake due diligence to ensure that such investment through the BBB is suitable for the Fund's investment strategy.

Q13 – Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Fund Response:

- The Fund agrees with the proposal and is already in compliance with the Order.

Q14 – Do you agree with the proposed amendment to the definition of investments?

Fund Response:

- Fund agrees with the proposed amendment.

Q15 – Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

Fund Response:

- No.

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
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 maintain signatory status of the 2020 Stewardship Code (the "Code").

The Fund became a signatory to the new Code in February 2023, after its successful application in October 2022. The Fund is committed to reporting on the requirements of the Code, with the aim of maintaining signatory status.

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.

Maintaining signatory status 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 2023. The attached document is the 31 March 2023 submission working draft. This report 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	**Background** The purpose of this report is to support the Clwyd Pension Fund's second application to the Financial Reporting Council (FRC) to maintain signatory status of the UK Stewardship Code 2020 (the "Code"). The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
1.02	The Code applies to: • 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. 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.
1.03	The Fund was previously confirmed as a Tier One signatory to the 2012 Stewardship Code in March 2018. The Fund since became a signatory to the new 2020 Code in February 2023, after its successful application in October 2022. The Fund is committed to reviewing the requirements of the Code, with the aim of maintaining signatory status. The draft submission, which has been prepared for this purpose, is included in the Appendix. Being a signatory of the Code helps demonstrate to the Fund's stakeholders and other interested parties that the Fund is committed to being a responsible investor.
1.04	As previously reported, Wales Pension Partnership (WPP) are current signatories of the Code.
1.05	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. Being a signatory 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.

1.06	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. The Fund's beliefs and priorities were documented and consulted on with employers as part of reviews of the Fund's Responsible Investment Policy in 2019, 2021 and 2023 (which is within the Fund's Investment Strategy Statement).
1.07	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: Purpose and governance 1. Purpose, strategy and culture 2. Governance, resources and incentives 3. Conflicts of interest 4. Promoting well-functioning markets 5. Review and assurance Investment approach 6. Client and beneficiary needs 7. Stewardship, investment and ESG integration 8. Monitoring managers and service providers Engagement 9. Engagement 10. Collaboration 11. Escalation Exercising rights and responsibilities 12. Exercising rights and responsibilities
1.08	The deadline for this year's submission is 31 October 2023. This report is the first working draft and although comprehensive, any thoughts and views from the Committee are welcome. Updates to the report can be made before submission.
1.09	**Explanation of Main Sections** *Purpose and Governance* 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.
1.10	*Investment Approach* 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.

1.11	*Engagement* This area demonstrates all aspects of engagement, including engagement of the underlying managers on behalf of the Fund as well as engagement conducted on behalf of the Funds through pooled fund holdings with the WPP. WPP has appointed Robeco as its Voting and Engagement provider who assists 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. Several examples are provided on engagement including an example of enhanced engagement, collaboration and escalation. 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 develop new sub-funds within WPP, in particular, the latest WPP Sustainable Active Equity Fund.
1.12	*Exercising rights and responsibilities* This area demonstrates how as mentioned in section 1.11 the Fund has delegated voting rights of all pooled assets to the WPP. The Fund also delegates voting rights of its underlying Best Ideas Portfolio holdings to the underlying managers such as Legal & General, Insight and BlackRock. This section explains voting policy and voting areas, as well as providing several examples of voting and engagement which Robeco and the underlying managers of the Best Ideas Portfolio have taken on behalf of the Fund. Engagement and voting examples included in the report focus on areas such as: • Carbon emission reduction targets • Human rights • Board composition • Climate action • Remuneration policies Although exercising rights and responsibilities is typically more developed for listed equity managers, the Fund's expectations regarding engagement for other asset class managers is discussed in this section.
1.13	**Key points to note** Whilst this is the Funds second submission to the 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. Feedback from the FRC from last year's submission has been reviewed

	and updates have been made where possible to incorporate further information highlighted. The information below highlights some of the additions made as a result, which have been included in the latest report: • Details of the Fund's updated communication policy and how these changes will allow stakeholders to better understand their benefits, as well as increasing efficiency by reducing the need for face-to-face meetings and phone calls. • Examples of training that the Fund's Officers have undertaken over the year that have aided them in the stewardship of the Fund. • How the Fund consults with employers when setting or reviewing policies. • Details of the Fund's new exclusion framework policy in relation to listed equities. • A more granular breakdown of the Fund's investments by geography. • Changes in the Fund's private market allocations and how target allocations have been increased over the period to focus on sustainable, local and impact investments. • In respect of the Best Ideas Portfolio (BIP), how the Fund expects Mercer to comply with the RI policy in or explain any exceptions that is required to efficiently operate. In particular, looking to allocate to ESG1 or ESG2 funds on the Mobius platform when strategic decisions are made for the BIP. • Restructuring of collaborative engagement examples provided in principle 10. • Details of engagement by other holdings within the Fund such as the Hedge Fund position. • Details on the voting and engagement of the underlying managers of Best Ideas Portfolio, has been outlined within the report, to further demonstrate how managers who vote and engage on behalf of the Fund have done so over the period. • Provided clarity on which funds the voting and engagement examples relate too. • Expanded on the upcoming escalation policy being drafted by the WPP with the support of officers through the RI-sub group, which is looking to provide a process for escalated engagements once these have been highlighted by Robeco. The following paragraphs highlight some of the key areas that have been included in the working draft submission.
1.14	The submission outlines the main changes that have made to the Fund's Responsible Investment Policy in recent years, including: • 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 15% strategic allocation commitment to sustainable equity. This allocation will be achieved through investment in the WPP Sustainable Active Equity Fund. The Fund is currently in the process of agreeing the new Investment Strategy Statement (ISS), which will include the new exclusions framework in respect of the Fund's listed equity holdings. Wording has been added in respect of the exclusions framework policy to the Stewardship Report in anticipation of approval at this Committee and subsequent employer consultation as a result.
1.15	Historically, the Fund has always been committed to making responsible decisions and acting in a responsible manner. In 2012, the Fund engaged 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), which can be found here.
1.16	In 2023, the Fund increased its strategic target allocation to Local/Impact investments within private markets from 4% to 6% as part of the investment strategy review, this represented an increase of 50% on the previous strategic target. Investments made within the Local/Impact private markets portfolio can be made to any asset class, so long as the strategy has either a clear and demonstrable Impact focus, or a mandate to invest locally within the United Kingdom. Where possible, investments local to Wales are considered. Outside of the Local/Impact portfolio, the Fund also endeavoured to make impact or sustainability-focused investments across the wider private markets portfolio (Private Equity, Private Debt, Infrastructure and Real Estate) where possible, subject to the availability of appropriate investable opportunities in the market.
1.17	The Fund works in collaboration with the WPP on all pooling matters and is 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 the launch of the WPP Sustainable Active Equity Fund, which was launched in June 2023. The Fund collaborated with other funds within the pool, as well as WPP and Russell in designing a detailed specification for the Fund.
1.18	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.
1.19	The deadline for submission is 31 October 2023. 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	This report addresses some risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Funding and Investment risks: F1, F4, F8, F9, I1 and I2

5.00	**APPENDICES**
5.01	Appendix 1 – Draft Clwyd Pension Fund submission for Stewardship Code

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

7.00	**GLOSSARY OF TERMS**
7.01	(a) **Actuarial Valuation** - 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.

	(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) **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. (d) **Clwyd Pension Fund (the "Fund")** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (e) **Clwyd Pension Fund Committee (the "Committee**") - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (f) **Chartered Institute of Public Finance and Accountancy (CIPFA)** – UK based accountancy membership and standard setting body. (g) **Department for Levelling Up, Housing & Communities (DLUHC) –** supports communities across the UK to thrive, making them great places to live and work. (h) **Funding Strategy Statement (FSS)** – the main document that outlines how we will manage employers contributions to the Fund. (i) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor. (j) **Financial Reporting Council (FRC)** – regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes. (k) **Investment Strategy Statement (ISS)** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund. (l) **Local Authority Pension Fund Forum (LAPFF)** – is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners (m) **Local Government Pension Scheme (LGPS)** – the national scheme, which Clwyd Pension Fund is part of. (n) **Markets in financial instruments directive II (MiFID II)** – a European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims

to standardise practises across the EU.

(o) **Pensions and Lifetime Savings Association (PLSA)** – a trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.

(p) **Pensions for Purpose** – exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment.

(q) **Private Market Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.

(r) **Scheme Actuary -** A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

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

(t) **Sustainable Finance Disclosure Regulation (SFDR) -** Imposes mandatory ESG disclosure obligations for asset managers and other financial market participants (FMP). SFDR aims to bring a level playing field for FMP and financial advisors on transparency in relation to sustainability risks the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products.

(u) **Society of Local Authority Chief Executives (SOLACE) -** A leading members' network for local authority government and public sector professionals through the UK.

(v) **Tactical Asset Allocation Group (TAAG)** – a group consisting of The Clwyd Pension Fund Manager and consultants from Mercer, the Fund Consultant.

(w) **Task Force on Climate Related Financial Disclosures (TCFD) -** TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.

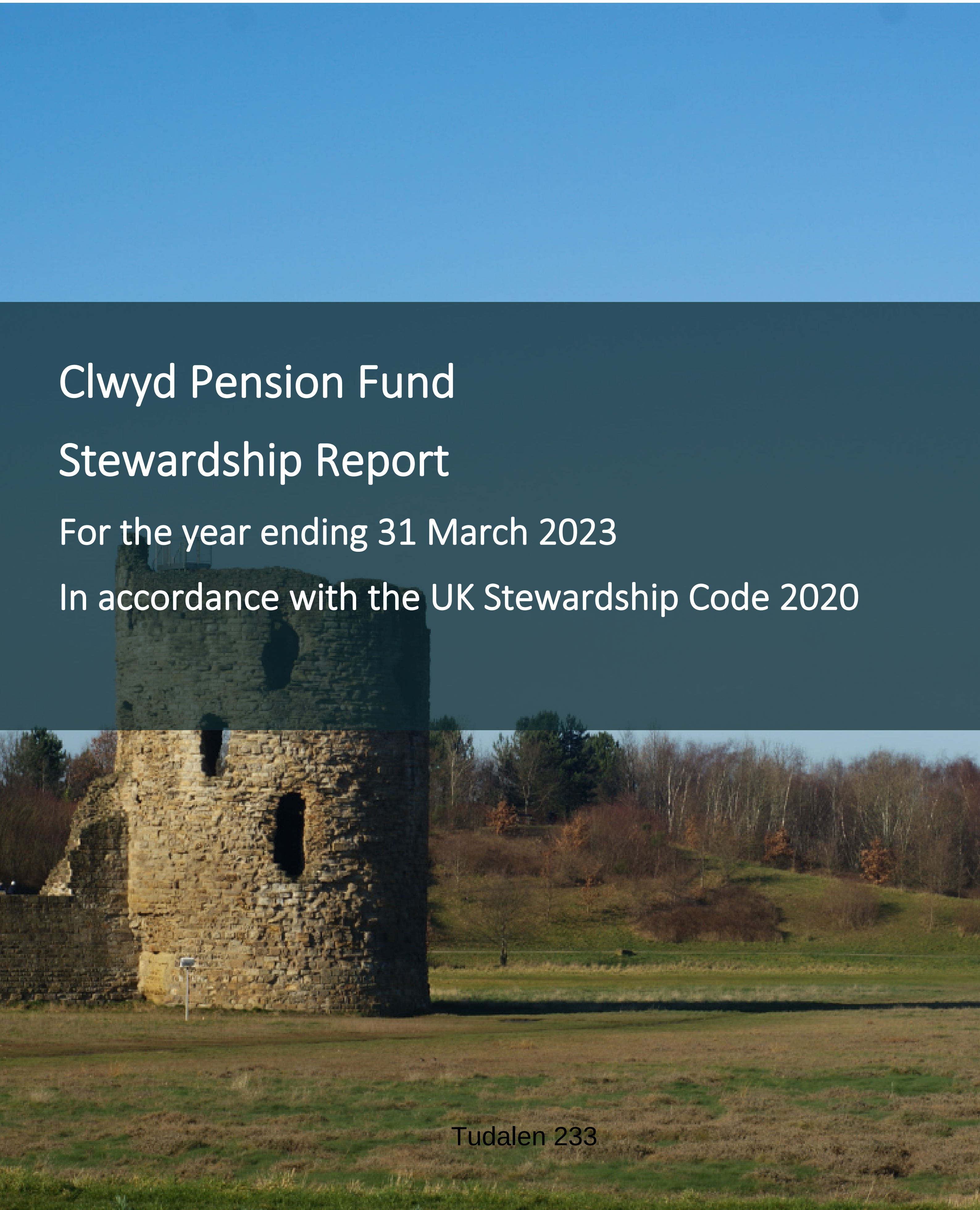
(x) **Taskforce on Natured Related Financial Disclosures (TNFD) -** Builds upon TCFD but acting on behalf of nature. It is a nature-related framework to drive better understanding and reporting of nature-related risks and opportunities.

(y) **UK Stewardship Code 2020** – set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.

	(z) **UN Principles for Responsible Investment (PRI)** – international organisation that works to promote the incorporation of ESG factors into all decision making processes, seeking to build a more sustainable financial system. (aa) **Wales Pension Partnership (WPP) –** a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017. A full glossary of Investments terms can be accessed via the following link. **https://www.schroders.com/en/uk/adviser/tools/glossary/**

Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund



Clwyd Pension Fund

Stewardship Report

For the year ending 31 March 2023

In accordance with the UK Stewardship Code 2020

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Foreword

We are proud to submit the Clwyd Pension Fund's (the "Fund") second annual Stewardship Report, covering the year 1 April 2022 to 31 March 2023.

The Fund has long been an advocate of investing sustainably and the importance of active stewardship. As a supporter of the 2020 Stewardship Code, it is important to us to maintain our high standards and continue to demonstrate the work undertaken during the year.

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

The reporting period has been volatile, with inflation rising and central banks hiking interest rates in an attempt to control inflation. In September 2023, the announcement of the UK's unfunded 'mini-budget' sent UK gilt yields soaring, ultimately causing high level of volatility within financial markets. 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 mitigate future risks the Fund may face, as well as looking for opportunities to add value for its members, particularly in the Local / Impact space.

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 completed its triennial investment strategy review over the period and updated its ISS which now includes the Fund's 'Exclusions Policy' in relation to its listed equity holdings, which encompasses the responsible investing views of its stakeholders. At the time of writing the Committee has agreed the revisions to the responsible investment section of the ISS, which is now with employers for consultation.

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 the Fund's 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 launching a Sustainable Active 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 with the WPP who are responsible for engagement with the investment managers on behalf of the Welsh Pension Funds, including Clwyd Pension Fund. 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

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 c. 49,000 members, which includes local government employees (other than teachers, police and fire fighters) in North East Wales and employees of 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 a scheme member representative) 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 Fund is a member of the Wales Pension Partnership (WPP) a pool of LGPS funds all from Wales. Overtime the Fund anticipates the majority, if not all, of its assets will transition into the pool, enabling the Fund to benefit from cost efficiencies through economies of scale. As such, the WPP is a crucial partner for the Fund as it discharges its responsibilities.

1.4 The overarching objective of the Fund is to ensure that the Fund can meet all member benefits as they 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.

1.5 The Fund’s Mission Statement is:

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

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.

1.6 In relation to the governance of the Fund, the aims are to:

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

This applies to all aspects of managing the Fund, including investments and Stewardship.

1.7 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 risks and opportunities to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore, that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process.
- The Fund is a long-term investor, with pension promises for many years. As a result, it seeks to deliver long-term sustainable returns.
- The Fund integrates ESG considerations across all asset allocations.
- The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.
- The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.
- The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.

- The Fund recognises the significant financial risk of not being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.
- The Fund recognises the importance of Social/Impact investments which can make a positive social and environmental impact whilst meeting its financial objectives, and it will make selective investments to support this aim.

1.8 The Fund recognises the importance of its role as a steward 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.

The culture of the Fund is one of dedication, collaboration and putting members at the center of all decisions. Officers have dedicated a significant part of their working lives to the Fund and always strive to ensure the objectives of the Fund are met. There is strong collaboration within the team and the wider LGPS community. Whilst the recently launched communication strategy aims to ensure that a greater proportion of stakeholders will receive relevant and focused communications, and understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

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

Within the 2019 review, the Fund set a number of high-level beliefs that sat over the more detailed policies. This conveyed the Fund's overarching attitude to being a Responsible Investor; this policy can be reviewed in the existing **Investment Strategy Statement (ISS)**.

In 2022, the Fund reviewed its overall strategy as part of the triennial investment strategy review. As a result, a review was initiated on the Funds Responsible Investment Policy (which sits within the Funds ISS). As at 31 March 2023, the officers with the support of their investment consultant, were conducting analysis to expand the policy to incorporate a formal 'Exclusions Policy' in relation to the listed equity holdings. The Fund's exclusion policy was agreed at the August 2023 Committee meeting following detailed discussion which included going through the steps of the 'Exclusions Policy'. The final ISS incorporating the 'Exclusions Policy' is now with employers for final consultation. For reference, the new exclusions policy has been provided in section 7.4, to demonstrate the Fund's continuous development on responsible investment.

1.9 The Fund's existing policy supports 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
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these

The Fund is committed to transitioning to a low carbon economy, and has therefore set a target of achieving net zero by 2045 or sooner.

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

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

1.11 Flintshire County Council delegates its decision making to the Clwyd Pension Fund Committee who meet five times a year to discuss all Fund related matters including 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. The Pension Board is made up of two employer representatives, two Scheme member representatives and one independent member who acts as the chair of the Pensions Board. All Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.

1.12 The Fund is committed to reporting 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 updating and maintaining a voting policy and engagement principles that are in keeping with Local Authority Pension Fund Forum (LAPFF). The Fund achieved signatory status to the UK Stewardship Code in February 2023, following its submission in 2022.

1.13 As part of the Government's investment reform, 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 2023/24 and beyond.

- The Fund's assets decreased in value by c.6% in the year ending 31 March 2023, against a strategic benchmark (CPI +3.4% p.a.) of 13.8%. Over the three-year period, the Fund returned 9.5% p.a. against a strategic benchmark of 9.4% p.a.
- The estimated funding level of the Fund as at 31 March 2023 was c.104%, an improvement from c.91% as at 31 March 2019.

- The Fund has an allocation to Local / Impact strategies within the private markets portfolio, which returned 10.1% and 13.3% p.a. over the one and three year periods, respectively.

Principle 2

Purpose and Governance

“Signatories’ governance, resources and incentives support stewardship”

2.1 Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund), for the benefit of employees and former employees of Flintshire County Council, two other local authorities (Wrexham and Denbighshire) and 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 Fund produces its own Annual Governance Statement (AGS) which is in the annual report. Additionally, the Council produces its own AGS, both of these review the effectiveness of the 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.

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 of 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 Pension Fund Committee sets the policies for the Fund and is responsible for them. The Fund officers and Advisory Panel implement the policies set by the Committee as the Committee delegates the day-to-day running of the Fund to them. 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 advisors, sometimes as part of Committee meetings
- Conference, seminars and other externally organised training sessions/ events.

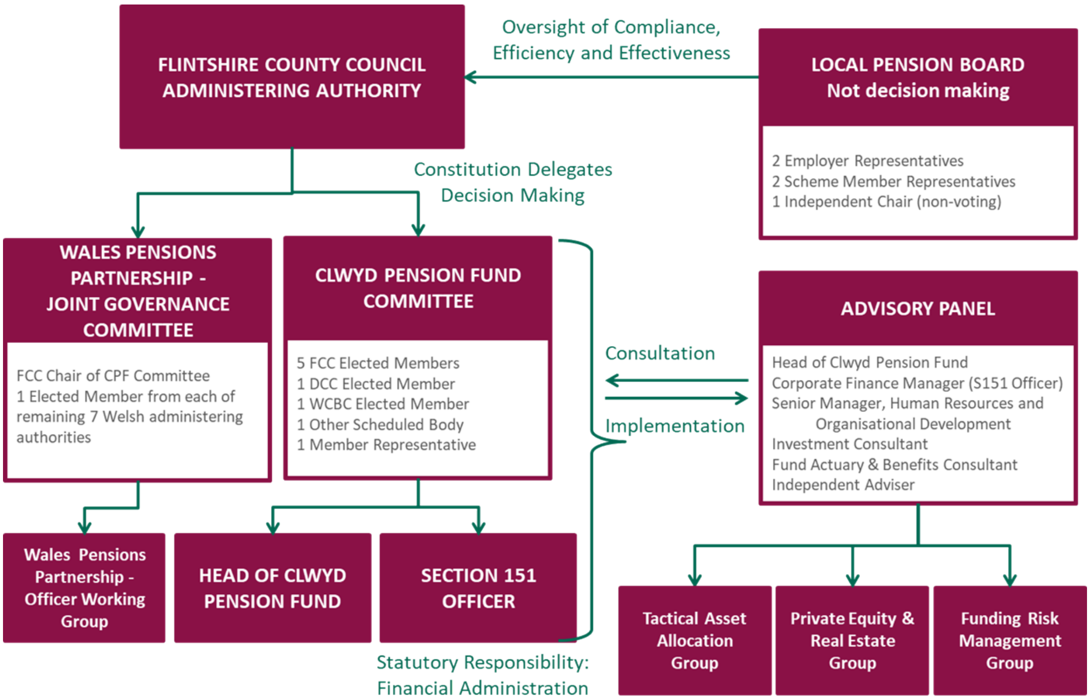
The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board may receive payments for attendance at meetings (including training events) as detailed within 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 regularly.

2.11 The Fund officers have undertaken various training sessions throughout the year to 31 March 2023, to not only maintain their knowledge of the local government pension scheme sector, but to also improve it. The table below provides a few examples of the training sessions that have been attended by at least one of the Fund's officers that has aided them in the stewardship of the Fund:

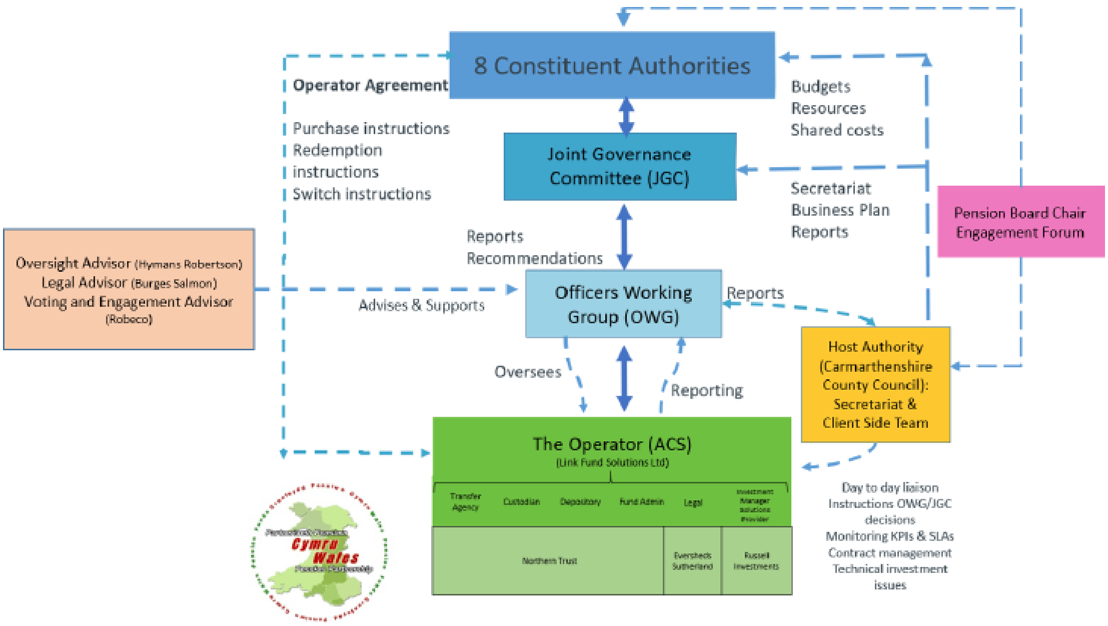
Training Date	Description of Training	Key Themes Discussed
22 September 2022	**WPP - Sustainable Equities**	• Sustainable active equity ○ Landscape ○ Setting objectives ○ Portfolio construction ○ Net zero & decarbonisation ○ Solution
19 October 2022	**WPP - Governance & Administration / Roles & Responsibilities**	• Governance Structure • Joint governance committee • Officer working group • Sub-groups • Host authority • External advisors • The operator
5 December 2022	**WPP - Responsible Investing, Stewardship Code & TCFD Reporting**	• RI beliefs • Role of the RI sub-group • Stewardship • ESG integration • Voting & engagement • Addressing climate change • Stewardship code reporting
18 January 2023	**Mercer – Private Markets Investment Considerations**	• Impact and sustainable investing
1 February 2023	**Mercer – TCFD Reporting**	• Consultation summary • Climate risks and opportunities • TCFD ○ Governance ○ Strategy ○ Risk management ○ Metrics & targets

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



2.13 Wales Pension Partnership (WPP)

The Wales Pension Partnership (WPP) was established in 2017, and represents a collaboration of the eight LGPS funds (Constituent Authorities), including Clwyd Pension Fund, covering the whole of Wales. WPP is one of eight national LGPS pools. Before the WPP was established, the eight Welsh Constituent Authorities had already been working together, having appointed BlackRock as the single passive manager in March 2016. The diagram below outlines the governance structure for the WPP.



WPP Sub-Groups (Clwyd Pension Fund officers are all on sub-groups):

- **Responsible Investment Sub-Group** – responsible for formulating and delivering WPP's Responsible Investment Workplan, as well as liaising with the WPP's Voting and Engagement Provider (Robeco). The group meet twice a quarter, has oversight and accountability of stewardship for all WPP Funds and includes officers of the Clwyd Pension Fund.
- **Risk Sub-Group** – responsible for monitoring, maintaining and implementing the WPP's Risk Register and Policy. The group meet quarterly.
- **Private Market Sub-Group** – responsible for formulating and developing the WPP's Private Market Sub-Fund(s). The group are currently meeting bi-weekly.
- **Procurement Sub-Group** – responsible for procurement exercises. Members will change depending on the procurement exercise. The group meet as and when required.

Further Information on WPP:

- Carmarthenshire County Council are the host authority for the WPP.
- Hymans Robertson – advisor to the WPP
- Burges Salmon – legal advisor to the WPP
- Robeco – Voting and Engagement provider
- Link Group – Operator of the pool
- Northern Trust – Custodian

Source: Wales Pension Partnership, https://www.walespensionpartnership.org/

Principle 7.5 details further how WPP has partnered with Link and Robeco.

2.14 Clwyd Pension Fund Officers

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

- **Philip Latham** – Head of the Clwyd Pension Fund
  - Has over 27 years' experience with the Clwyd Pension Fund
- **Debbie Fielder** - Deputy Head of the Clwyd Pension Fund
  - Has over 23 years' experience with the Clwyd Pension Fund
- **Ieuan Hughes** – Graduate Trainee Investment Officer
  - Is currently studying for the Investment Management Certificate (IMC) to enhance his skills

The Fund hired Ieuan Hughes into the team in 2019, and has been trained up in all areas to help support the historical knowledge and skills within the Fund and ensuring continuity going forward and throughout the year to 31 March 2023 has taken on more responsibility on the private markets investments of the Fund. In addition, the appointment maintains the local investment knowledge required to collaborate and challenge the WPP.

Officers of the Fund use their knowledge and experience with the help of their advisors to recommend policy and strategy to the Pension Committee. Officers help arrange and deliver training for the Committee in all subject matters including but not limited to: investments, responsible investment, stewardship, risk management, governance. 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 and employees are normally remunerated with no performance related pay. The officers do not require further incentivisation, as all the officers believe in the culture and values of the Fund, and are committed to running the Fund in a responsible manner. An example of this is within the Funds private market portfolio, the officers are only considering committing capital to Impact investments, to focus on the best outcomes for the greater good of society and create a positive impact locally.

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

The Fund is looking to pool more assets with the WPP, which will allow the Fund to utilise the WPP's resources, in areas such as voting, engagement and stewardship. This ultimately will reduce the resourcing pressures the Fund is currently facing.

As part of the WPP's remit in delivering the Fund's strategy, the WPP are also responsible for ensuring the Fund's engagement policy is delivered. This responsibility is then further delegated to Robeco who are appointed to engage on behalf of WPP, and therefore the Fund. Fund officers sit on the WPP RI sub group to review voting and engagement activities conducted on the Fund's behalf. Fund officers engage regularly with the private market managers to understand the latest positions of these funds, their implementation of key objectives and any future plans. The Fund's membership of LAPFF ensures that the Fund is encouraging engagement with companies that the Fund potentially doesn't own, further enhancing the stewardship of the wider financial system.

2.15 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 (nominated by the Joint Trade Unions).

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

All members have equal voting rights. Ensuring scheme member and employer representatives can equally contribute to the Fund's strategies and how they are delivered.

2.16 Section 151 Officer – Corporate Manager, People and Organisation Development

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.

2.17 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 (Recently 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
- Scheme Actuary, Mercer
- Independent Advisor, Aon

2.18 Wales Pension Partnership Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered 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 is the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair acts as the Deputy.

The Pension Fund Committee determines which officers of Clwyd Pension Fund represents 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.

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

2.19 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.

2.20 Pension Board

As required by legislation, the Fund has established a local Pension Board to assist with:

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

The Board is not a committee of Flintshire County Council and so provides an element of independence overseeing the management of the Fund. In practice the Board works in partnership with the Committee and Fund officers, providing constructive challenge and input into the Fund's strategies and governance arrangements, including Stewardship.

The Pension Board is an important vehicle through which the views of key Fund stakeholders, i.e. members (beneficiaries) and employers, can be taken into account. The Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
- One Independent Member who acts as chair of the Pension Board.

All Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged.

Principle 3

Purpose and Governance

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

3.1 Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisors to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an advisor 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 advisors. 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.

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

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

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

3.8 In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee has agreed a Conflicts of Interest Policy 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 below) 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 Over the period in question, 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.

3.12 In 2021, Debbie Fielder the Deputy Head of the Clwyd Pension Fund was appointed to the board for Pensions for Purpose as a Non-Executive Director (NED). Pensions for purpose seeks to drive best practise on areas of investment. As a result, Debbie updated her Conflict of Interest disclosure and informed all parties required of the appointment.

What is required	How this will be done
Step 1 – Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest.
Step 2 – Ongoing notification and	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund

management of potential or actual conflicts of interest	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. 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.
Step 3 – Periodic review of potential and actual conflicts	At least once every 12 months, the Head of the Clwyd Pension Fund will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.

Principle 4

Purpose and Governance

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

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

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

4.3 The Fund's overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing 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 advisors, employers and other partners)
- Anticipate and respond positively to change
- Minimise the probability of negative outcomes for the Fund and its stakeholders
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- Ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships

4.5 The Risk Register has a section dedicated to Funding & Investment Risks (including accounting and audit). Specific asset/investment risks highlighted in the risk register include those around investment markets, the failure of managers to achieve their objectives, missing out on market opportunities, and liquidity. The risk register is 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 must be presented to the Pensions Committee at least twice a year, but in practise it is provided at each quarterly meeting. 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 funding and investment section of the risk register and they are:

- Employer contributions are unaffordable and/or unstable
- Funding level reduces, increasing deficit / reducing surplus
- Investment targets are not achieved therefore materially reducing solvency / increasing contributions
- Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions
- Value of liabilities/contributions change due to demographics being out of line with assumptions
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient cash or liquid assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits

The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.

4.8 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

An approximate funding level is monitored daily and reported formally to the Funding and Risk Management Group on a monthly basis. Should the approximate daily monitoring indicate that the 110% trigger has been reached, an agreed process will be followed (as 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 2022 actuarial valuation and investment strategy review cycle, the officers and Fund's actuarial and investment consultants reviewed the flightpath and made changes to the interest rate and inflation triggers. Changes included increasing the interest rate trigger levels, amending the proportion of interest rate notional exposure, additional inflation rate trigger levels and amending the proportion of inflation rate notional exposure.

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

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 lower on-going governance versus the previous static approach as it allows the structure to more easily adapts to changing market conditions.

The Fund added additional synthetic equity exposure in late 2022, to replace physical equities that were sold to provide collateral to the LDI portfolio. This synthetic equity is a short-term position in order to maintain the Fund's strategic allocation to equity. This is being replaced over 2023 as the physical allocation to the sustainable active equity mandate is built up.

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.

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 At the time of writing the Committee has agreed the revisions to the responsible investment section of the ISS, which is now with employers for consultation. The below responsible objectives outline the objectives within the updated ISS:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership

4.12 ISS guidance given by the Secretary of State states that administering authorities should become signatories to the Code, and states how they implement the principles on a "comply or explain" basis. In practice 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.

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 continued to be actively involved and have committed to investing in the new WPP Sustainable Active Equity Fund following the investment strategy review. The Fund's officers were heavily involved in the development of the WPP Sustainable Active Equity Fund along with the other welsh funds. Demonstrating their ambition and drive to promote sustainable investment across Wales, which will not only benefit the Clwyd Pension Fund but also other Welsh funds invested within the Welsh pool. Further information can be found in Principle 10.1.

4.16 The Fund does not set any explicit expectations for the WPP, however officers of the Fund have an active presence within the working groups of the WPP such as the RI-Sub working group. This allows the Fund to take an active role in formulating and debating decisions that go into the production of new sub-funds available to all constituent authorities within Wales.

The expectation set around non-pooled asset managers is that Mercer will recommend those managers with the highest ESG ratings, in Mercer's opinion, to allocate the Fund's capital too. Throughout the year to 31 March 2023, the Fund has undertaken private market manager selection meetings with the help of Mercer, with a focus on Local/ Impact investing. The Fund expects Mercer to provide sustainable and low carbon options for investments through its best ideas portfolio where possible, this is evidenced by Mercer's recommendation to invest into the LGIM Future World Europe (ex UK) Equity Index Fund in February 2023 over a standard European equity fund. Further information is provided in section 7.6.

Principle 5

Purpose and Governance

"Signatories review their policies, assure their processes and asses 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 the 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** and all key strategies and policies have a clearly defined period for review.

5.2 The Fund's officers regularly review information that is provided by WPP in respect of stewardship activities. This information along with other relevant reports on voting and engagement are shared with the Committee on a quarterly basis.

5.3 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 updating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

5.4 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 2022 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 officers carry out an annual review against the Pension Regulator's Code of Practice, to identify areas of compliance and non-compliance.
- The Fund commissioned an effectiveness review of the Pension Fund Committee, the review asked all members their views on the effectiveness of the Fund's governance arrangements.
- The independent advisor carries out an annual review of the governance of the Fund as a hole, against Aon's best practice governance framework. By seeking

external assurance from an independent third party, the Fund and its stakeholders can be confident of an unbiased and unprejudiced view of the effectiveness of the Fund's 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.
- The majority of policies and strategies have clearly defined objectives and measures in place, which drive the content of the regular reports to the Committee.

5.5 The WPP has appointed Hymans Robertson as Oversight Advisors. Their role spans oversight and advice on governance arrangements, operator services, strategic investments aspects and project management support. One of the ongoing roles of the Oversight advisor will be to assess the management of the Sub-Funds and test the processes that are being employed, as outlined above. Hymans attend all OWG and JGC meetings.

5.6 The RI 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

Investment Approach

"Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them"

6.1 The Clwyd Pension Fund is part of the Local Government Pension Scheme, a statutory public service scheme providing defined benefits to its members based on their earnings and length of service, and is administered by the Flintshire County Council on behalf of all employers in the Fund. Benefits are funded by member and employer contributions and investment returns. However member benefits are guaranteed, so regardless of investment performance members will still receive their pensions, with the ultimate burden falling on the tax payers if investment returns are not sufficient to ultimately meet the payment of future pensions.

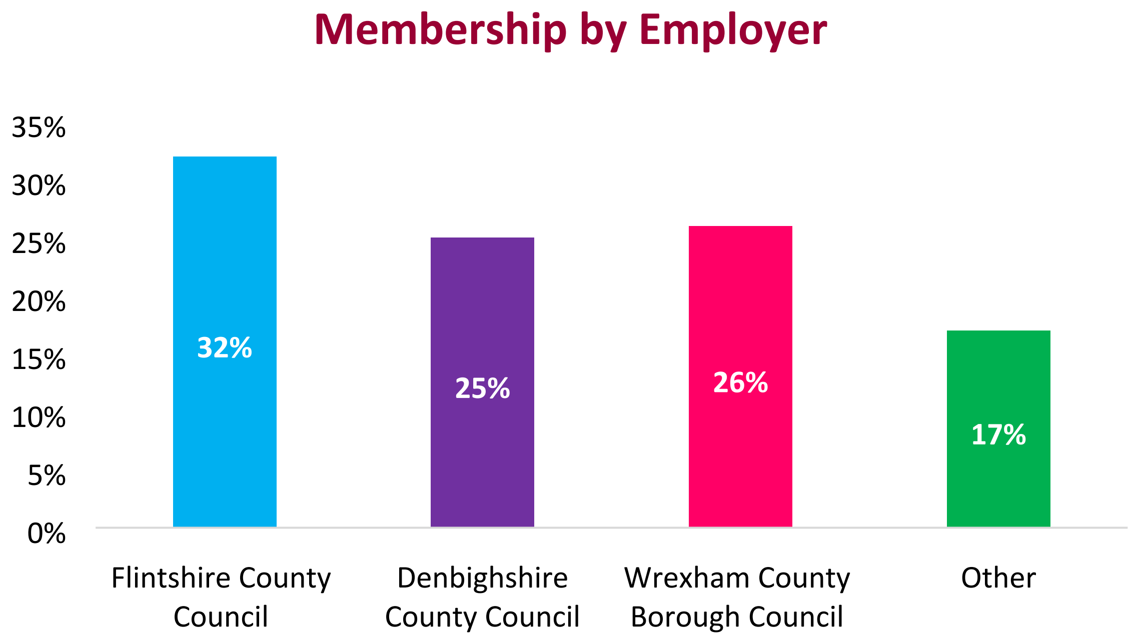
6.2 The Fund does not ask for members views with regards to stewardship, however when setting or reviewing policies the Fund consults with the employers. The Fund's Committee are also responsible for signing off the Fund's investment strategy and ISS. As previously stated the Committee is formed of 5 councillors and 4 co-opted members, one of which is a representative of the scheme members of the Fund

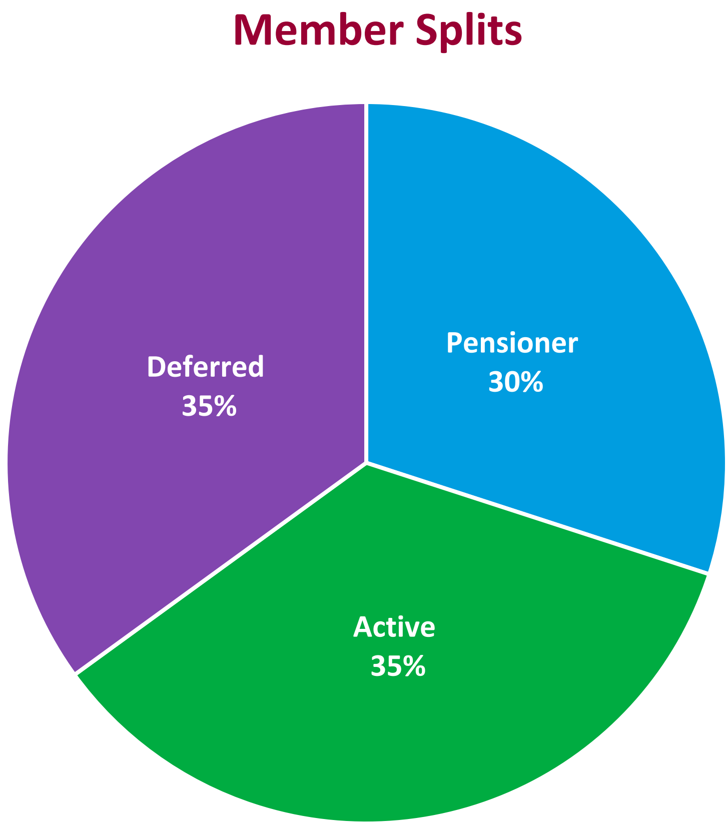
The Fund and its officers have always strived to consider responsible investment, but note that responsible investment pursuits would not be taken if there was an expectation that it could conflict with the Fund's fiduciary responsibility.

Through the Fund's Impact portfolio, the Fund has demonstrated that it has been able to achieve both strong positive performance as well as having a positive impact. This portfolio generated a return of +22.9% over the year to 31 March 2023. Such investments have looked to support the local communities within Wales. One of the latest investments in the Capital Dynamics Clean Energy Wales Fund is a prime example of the investments that have been made by the Fund to generate both a financial return and positive impact in relation to the local communities of Wales. Further information on this case study can be found in section 7.10.

6.3 Whilst most members will be local authority employees (and ex-employees), other employers can also join the scheme where they are providing services in place of (or alongside) local authority services, such as contractors, housing associations and charities.

6.4 As at 31 March 2023, there were c. 49,000 members. The three unitary authorities are the largest employers in the Clwyd Pension Fund, representing 83% of the overall membership at the last valuation date. Membership by category and by employer is shown in the charts below:





Source: Mercer. As at 31 March 2023, based on the data provided for the actuarial valuation as at 31 March 2022.

6.5 The Fund's strategic allocation along with invested assets as at 31 March 2023 is set out below:

Asset Class	31 March 2023 (£m)	31 March 2023 (%)	Strategic Allocation (%)
Global Equity*	130.0	5.7	15.0
Emerging Market Equity	115.7	5.1	5.0
Multi-Asset Credit	230.7	10.1	12.0
Hedge Funds	159.3	7.0	5.0
Tactical Allocation Portfolio	262.5	11.5	11.0
Property (Private Markets)	135.7	5.9	4.0
Private Equity (Private Markets)	201.1	8.8	8.0
Local/ Impact (Private Markets)	90.1	3.9	6.0
Infrastructure (Private Markets)	129.0	5.6	8.0
Private Debt (Private Markets)	60.6	2.6	3.0
Timber/ Agriculture (Private Markets)	11.9	0.5	0.0
Cash and Risk Management Framework	664.2	29.0	23.0
Trustee Bank Account	98.3	4.3	0.0
Total Clwyd Pension Fund	**2,289.2**	**100.0**	

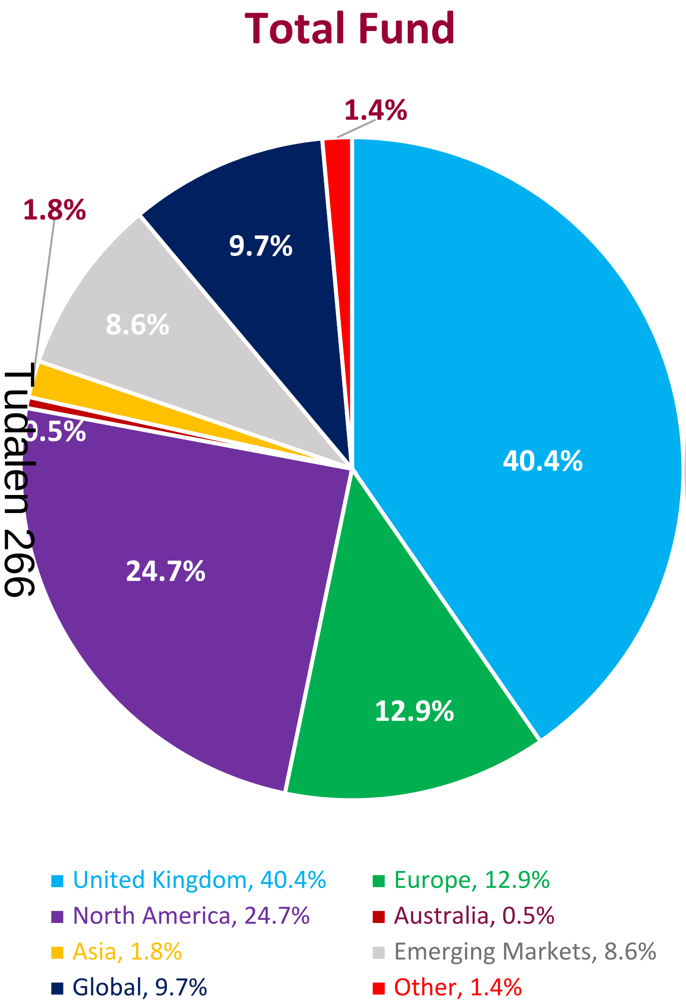
Source: Investment Managers. Totals may not sum due to rounding.
**Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.*

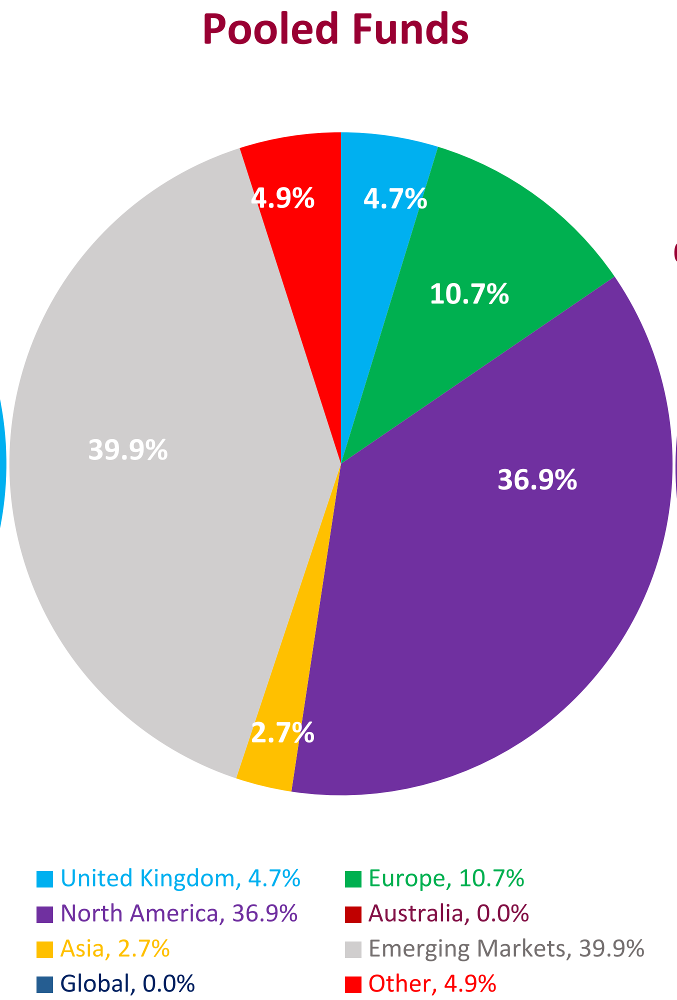
6.6 WPP vs Non-WPP Funds:

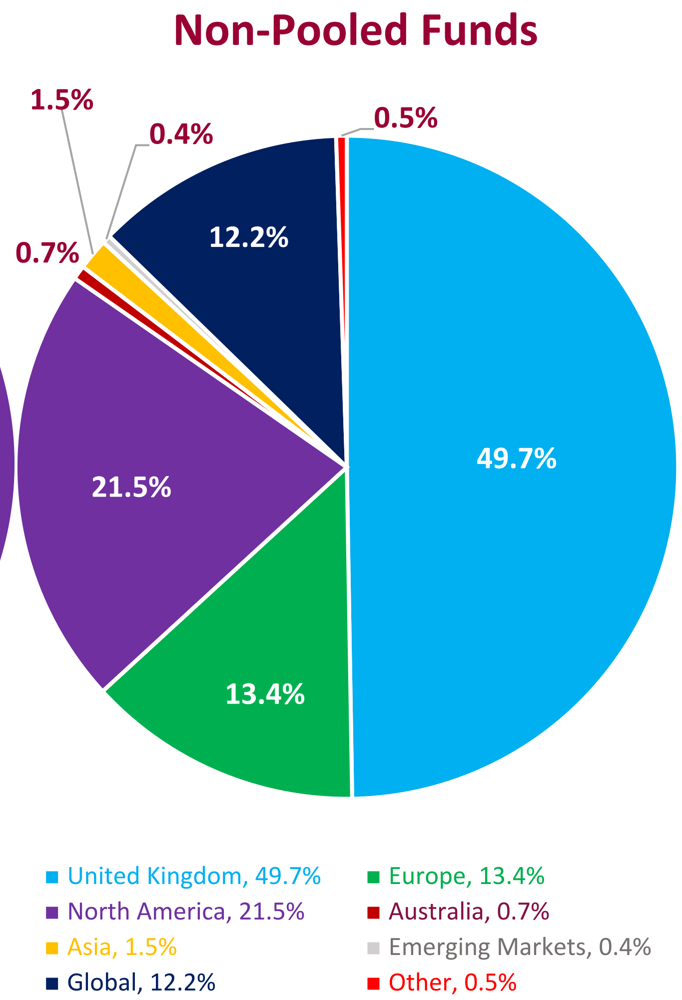
Pooled Assets	31 March 2023(£m)	Weight (%)	Strategic Weight (%)
Global Equity*	130.0	5.7	15.0
Emerging Market Equity	115.7	5.1	5.0
Multi-Asset Credit	230.7	10.1	12.0
Total WPP Assets	**476.4**	**20.9**	**32.0**
Non-pooled Assets			
Hedge Funds	159.3	7.0	5.0
Tactical Allocation Portfolio	262.5	11.5	11.0
Property (Private Markets)	135.7	5.9	4.0
Private Equity (Private Markets)	201.1	8.8	8.0
Local/ Impact (Private Markets)	90.1	3.9	6.0
Infrastructure (Private Markets)	129.0	5.6	8.0
Private Debt (Private Markets)	60.6	2.6	3.0
Timber/ Agriculture (Private Markets)	11.9	0.5	0.0
Cash & Risk Management Framework	664.2	29.0	23.0
Cash	98.3	4.3	0.0
Total Non-WPP Assets	**1,812.8**	**79.1**	**68.0**
Total Assets	**2,289.2**	**100.0**	**100.0**

Source: Investment Managers. Totals may not sum due to rounding.
Note: Cash represents cash in the Trustee Bank Account. Pooled assets relate to assets invested via the Wales Pension Partnership.
** Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.*

6.7 Geographic Splits







Source: Investment Managers. Totals may not sum due to rounding. Totals are approximate based on a high-level breakdown of assets under management as at 31 March 2023.

Geographic Splits (continued)

The above charts demonstrate the geographic splits of the current assets under management for Clwyd Pension Fund as at 31 March 2023.

The Fund's current assets invested via the Wales Pension Partnership was 32%, leaving 68% of assets invested outside the pool.

6.8 Post year-end the Fund's allocation to global equities includes a 15% strategic allocation commitment to the WPP Sustainable Active Equity Fund.

Private Markets

6.9 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).

6.10 In 2023, the Fund increased its strategic target allocation to Local/Impact investments within private markets from 4% to 6% as part of the investment strategy review, this represented an increase of 50% on the previous strategic target. Investments made within the Local/Impact private markets portfolio can be made to any asset class, so long as the strategy has either a clear and demonstrable Impact focus, or a mandate to invest locally within the United Kingdom. Where possible, investments local to Wales are considered.

Outside of the Local/Impact portfolio, the Fund also endeavoured to make impact or sustainability-focused investments across the wider private markets portfolio (Private Equity, Private Debt, Infrastructure and Real Estate) where possible, subject to the availability of appropriate investable opportunities in the market.

Stewardship is integrated into the manager selection process through Mercer's ESG ratings process. This looks at the ESG (environmental, social, and corporate governance) practices in place at both the manager and the fund level, and awards the strategy from ESG1 to ESG4 (ESG1 being the highest score, and ESG4 being the lowest). All strategies considered for inclusion in the Fund's private markets portfolio must have been assigned a minimum score of ESG2 by Mercer.

Investments made over the period from 1 April 2022 to 31 March 2023:

Private Market Manager	Fund Name	Capital Committed (£m)
Capital Dynamics*	Clwyd Clean Energy Wales	50
Copenhagen Infrastructure*	Energy Transition Fund I	17
Activate Capital Partners	Activate Capital II	11
ECI Partners	ECI 12	20
Newcore	Strategic Situations Fund V	15
Sandbrook Capital	Climate Infrastructure Fund I	17

Note: Where appropriate, Euro (€) and US Dollar ($) denominated commitment amounts have been converted into Sterling (£) commitment amounts using the exchange rates at the time the commitment was made.
*These commitments were mentioned in last year's report but were finalised during this year's reporting period.

Further details on the 5 commitments are given in Principle 7.

6.11 When making private markets commitments, 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.

6.12 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.

6.13 The Fund's strategies are decided at the Pension Fund Committee, which has scheme member and employer representation. Members of the Pension Board also have the opportunity to feed into the investment strategies as they participate in Pension Fund Committee meetings. Further to this, the ISS and FSS are shared with all employers a part of the consultation.

6.14 Clwyd Pension Fund were instrumental in driving the addition of a co-opted member on to the Joint Governance Committee to ensure that there is scheme member representation at the body carrying out engagement on behalf of the Fund.

6.15 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 understand the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme. The Communication strategy is available in both English and Welsh.

6.16 Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

6.17 Over the period the Fund published a new Communication Strategy that is focused on the following areas:

- Improving member experience and enhancing self-service.
- Identifying smart ways of working on the communications.
- Simplifying language and communicating more concisely.
- Refreshing the Fund's visual identity.
- Broadening delivery channels to members.
- Developing a segmented approach to engagement.

6.18 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 it uses the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- 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:	In relation to employer communications, the Fund want the engagement activities to be to:
• Increase awareness and understanding of the benefits of the pension scheme and how it works. • Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.	• Increase awareness and understanding of the information required by the Fund from employers. • Encourage employers to take ownership of the data and help their

- 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.

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.

6.19 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 Funds stewardship and investment activities:

Communication Method	Description
Website	The Fund's website http://www.cronfabensiynauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained on the national LGPS website at https://www.lgpsmember.org 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.

6.20 To ensure the delivery of the communication strategy evolves the Fund wants to ensure that they are meeting its objectives which are stated in section 6.17. The Fund will do this by monitoring the progress as shown below:

Objective/Measure	Monitoring	Specific targets
• **Increase awareness and understanding of the Scheme/Fund and how it works.**	• Feedback through annual member and employer surveys and listening groups. Collate informal feedback when any communication is sent out. • Monitor compliments and complaints from member and employer emails and calls to the Fund.	• Surveys: 90% positive responses.
• **Maintain and build positive member experiences/employer relationships**	• Feedback through annual member- and employer-specific survey and listening groups: target 90% positive responses. • Monitor compliments and complaints from member emails and calls to the Fund.	
• **Ensure we use the most appropriate means of taking into account the different needs of different stakeholders.**	• Feedback through annual member- and employer-specific survey and listening groups.	

• **Encourage members / employers to take ownership of their pension / information required.**	• Track video and podcast usage. • Track take-up of MSS (members). • Track click throughs of all online communication. • Monitor website usage .	• Video, podcast, online communication and website usage –ongoing increases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users.
• **Reduce the need for face-to-face meetings and phone calls by scheme members.**	• Track member calls and face to face meetings.	• Ongoing decreases.
• **Make the management of the Fund more efficient for both the Fund and employers.** • **Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.**	• Monitor the workload of the Administration Team relating to ad hoc enquiries. • Track employer and member emails and calls, and face to face meetings. • Track take-up of MSS (members). • Ensure mandatory use of i-Connect by all employers. • Track click throughs of all online communication.	• Ad hoc enquiries, emails, calls and face to face meetings –ongoing decreases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. • i-Connect take up: 100% of employers.
• **Regularly evaluate the effectiveness of communications**	• Regularly reviewing communications plan and strategy based on monitoring mentioned above.	

and shape future communications appropriately.

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6.21 As previously noted in section 1.8 the new Communications Strategy should allow a greater proportion of stakeholders will receive relevant and focussed communications, and understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

Following the implementation of the new Communications Strategy:

- Satisfaction surveys were issued to all members and employers. The number of responses from members was slightly higher than the industry benchmark of 5% which is positive.
- As part of the satisfaction survey, scheme members were asked to provide their details if they would like to volunteer to be part of a Communications Focus Group. A total of 73 members volunteered covering all types of membership. Acknowledgement letters have been issued with details of the first focus group action (if applicable to their type of membership).

Principle 7

Investment Approach

"Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities"

7.1 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 the Fund is not required to consider the impact of climate change, the Committee believe that consideration of these risks is crucial for the Fund as a long term sustainable investor. As well as creating risks ESG can presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

7.2 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 have been considered as part of the Fund's Triennial strategy review which took place late 2022/ early 2023. A key change in relation to taking into account ESG risks was in respect of the new 15% commitment to the WPP Sustainable Active Equity Fund.

7.3 The Responsible Investment Policy will support 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.

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, the Committee has a strategy to achieve net-zero emissions from its investment portfolio. Specifically, the Committee agreed a target for the investments in the Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. Underlying this commitment, the Fund also has a number of other key targets as outlined below:

For the Fund as a whole:

- to have at least 30% of the Fund's assets allocated to sustainable investments by 2030 (see principle 4.11 for further responsible objectives within ISS)
- to expand the measurement of the carbon emissions of the Fund's investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.

Within the Listed Equity portfolio:

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

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.

At year end, the Fund was in the process of developing an additional 'Exclusions Policy' in relation to its listed equity holdings. The Exclusion Policy was agreed by the Committee in August 2023 and is provided below for reference.

Exclusions Policy

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

The policy is to exclude companies from which breach the following thresholds	Minimum Objective	Fund's Ambition
[x%] or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
[x%] or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%

[x%] or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

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

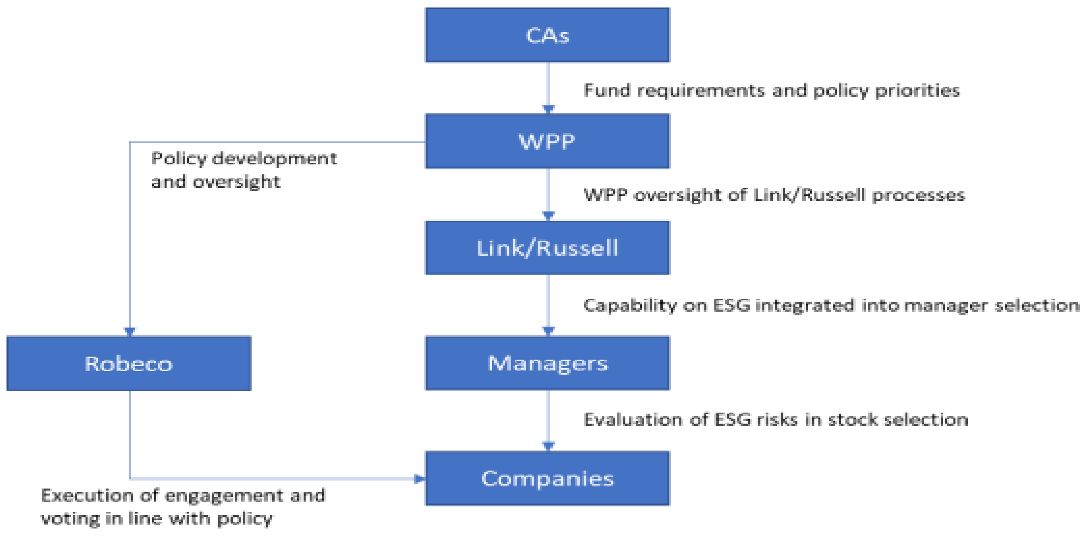
The Fund's ambition is to implement the above "Fund's Ambition" exclusion policy. It is recognised that at present there are limited implementation options for this policy. As a result the Fund has established a "Minimum Objective" exclusion policy which is aligned with the Paris Aligned Benchmark and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

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

7.5 The Fund is invested in a wide range of asset classes with different investment managers, but has not been through any formal tenders over the period. The Fund is predominantly moving towards assets that are pooled within the Wales Pension Partnership. WPP currently manage all of the Fund's active and passive equity strategies as well as the Fund's credit strategy.

WPP has partnered with Link (the group operator) and Russell for the implementation of its sub-funds for which Clwyd Pension Fund invest. WPP has also partnered with Robeco for policy development oversight and execution of engagement and voting within the agreed policies. WPP are responsible for the development of appropriate funds and policies and the continued oversight of its partners.

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 table charting the relationships between providers and WPP is provided above for context.

During 2021/22 officers of the Fund were involved in the procurement of Private Market Allocators for the WPP. This involved agreeing the tender specification including a section on ESG. There were a total of 25 specific questions on ESG, examples of which are provided below:

- Is your firm currently a signatory to the UK Stewardship Code?
- What is your firm's ESG philosophy?
- Please describe how ESG is integrated into the investment process.
- Are any external resources or organisations used for ESG analysis?
- Is ESG incorporated into reporting?
- Does your firm have in place policies relating to diversity and inclusion? If yes, describe and comment on the extent to which their impact is tracked
- Does your firm have in place policies on human rights and prevent modern slavery? If yes, describe a description and any plans for further development
- Does your firm support and report against TCFD?

Whilst the procurement and set-up process for Private Market Allocators for the WPP was still in progress over the period from 1 April 2022 to 31 March 2023, the Fund has continued to take recommendations from its Investment Consultant, Mercer, in relation to allocations to be made to Private Market funds. The Fund has mandated that allocations may only be made to funds which have an investable rating from Mercer and either an ESG1 or ESG2 rating from Mercer (these being the two highest ESG ratings available from Mercer) in addition to a thorough investment due diligence process required for each of the Fund's allocations. The Fund also worked with Mercer over the year to continue to support the process for ongoing monitoring of its Private Markets managers. The Fund arranged a series of meetings with managers, both in person and virtual. Managers were sent a list of questions and a quantitative questionnaire in advance of these meetings. There was a focus on collating responsible investing and carbon metric data, where available, from the Private Markets managers. There is a known lack of data availability in private markets and the Fund is an advocate for improved data provision and transparency. This work will continue in future years as data gaps still remain in some legacy assets.

7.6 Within the Best Ideas Portfolio (which takes a dynamic strategy approach to take advantage of short-term investment opportunities) the ethos is to comply with the Fund's RI policy or explain any exceptions that is required to efficiently operate.

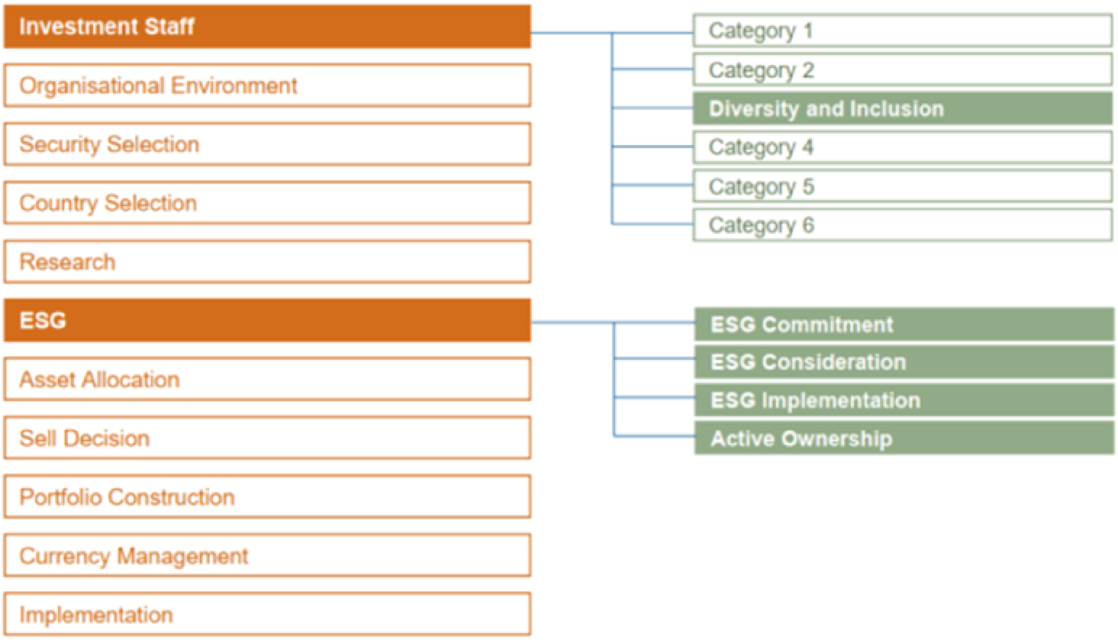
Wherever there is a Mercer ESG1 or ESG2 rated fund within the recommended asset class on the Mobius platform, Mercer should either recommend that fund or explain in writing the rationale for choosing an alternative non-ESG rated funds.

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

7.8 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 Active Equity Fund, which the Fund has since invested in on the on 20 June 2023. The Fund collaborated with other WPP partner funds, as well as WPP and Russell in designing a detailed specification for the Fund. Several Welsh funds have since invested into the new fund in which the officers were heavily involved in developing. At the time of writing, the WPP Sustainable Active Equity Fund had over £1bn asset under management, which is a great outcome for the whole of Wales and a positive step in the right direction to invest in a sustainable future for all.

7.9 The Fund and WPP expect that all investment managers employed within WPP properly consider climate change and other ESG risks in their decision making process. This is also considered by Russell as part of their evaluation of investment managers during the fund structure design and on an ongoing basis through annual reports to WPP. An illustrative example of how these considerations are factored into initial and ongoing evaluation of underlying managers is shown in the illustrative frame work and more information can be found in **WPP's Stewardship Code** submission document.

Illustration of Russell evaluation framework



7.10 As mentioned in principle 6.9, Clwyd Pension Fund has substantially increased its commitments to Impact focused portfolios within its Private Market mandates. The following tables provide detailed information on these commitments.

Private Market Manager	Fund Name	Capital Committed (£m)
Capital Dynamics	Clwyd Clean Energy Wales	50

Description of fund Impact/ESG
Clwyd Pension Fund has entered into an agreement with Capital Dynamics to invest directly in Clean Energy projects in Wales. By establishing a Separately Managed Account ("SMA") with Capital Dynamics, the Fund aims to leave a lasting and positive impact locally and contribute to the UK ambitions to support renewables and the country's Levelling Up plan. The intention of the Fund is to have a positive impact both environmentally and locally within the communities. The SMA will invest directly into projects in Wales, providing clean energy capacity and offsetting carbon emissions. An integral part of the SMA's success will be ensuring that the needs of the local communities are met. To further promote the positive impact within the communities, local employees will be hired to carry out the majority of civil works, where possible.

An example of one investment opportunity within the pipeline expects c.200 jobs to be created during construction per project, with the potential of c.2,000 -3,000 jobs being created for the full portfolio by 2026.

Clwyd Pension Fund has committed £50 million into the Fund which will look to source opportunities through recommendation from Capital Dynamics and officers of the Fund. The Fund is looking to invest in 3 to 5 clean energy projects in Wales. Capital Dynamics and Netro Energy (an affiliate of Capital Dynamics) will manage construction and daily monitoring of the Fund. Sample projects which are a potential for the Fund include Solar PV (photovoltaic) and Onshore wind.

Private Market Manager	Fund Name	Capital Committed (£m)
Copenhagen Infrastructure Partners	Energy Transition Fund I	17

Description of fund Impact/ESG

The Energy Transition Fund I ("ETF I") is a first-time fund by Copenhagen Infrastructure Partners ("CIP") that will focus on the second generation of renewable energy and hard-to-abate sectors. Its main focus is decarbonising hard-to-abate sectors such as industrial processes, shipping, fertilisers and aviation fuels with next generation energy infrastructure such as Power to X ("P2X"). ETF I will invest into electrolysers, ammonia plants, as well as first-generation renewable power generation such as wind and solar to generate green hydrogen, ammonia and eMethanol.

ETF I will be an Article 9 Fund under the Sustainable Finance Disclosure Regulation (SFDR). ETF I will contribute to a number of the UN Sustainable Development Goals: SDG 6 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 13 (climate action). CIP has strongly integrated ESG considerations on a firm-level as well as in its screening and investment processes. A main element across all of CIP's strategies including ETF I is to have a positive environmental impact through the developed assets.

Private Market Manager	Fund Name	Capital Committed (£m)
Activate Capital Partners	Activate Capital II	11

Description of fund Impact/ESG

Activate Capital Partners is a venture capital firm focused on investing in infrastructure and industrial technologies that support an efficient and sustainable industrial economy. Activate Capital Partners II (“Fund II”) will make venture capital and growth equity investments in companies that provide technology products, services and solutions that enable energy development, smart mobility and industrial digitization.

Activate are committed to ESG in underwriting and portfolio management, with ESG incorporated throughout the investment due diligence process. Activate has implemented a formal ESG policy to support its investment and regulatory practices, with guidelines modelled after the Private Equity Growth Capital Council, as well as the UN Principles for Responsible Investment. Activate also incorporates ideals sourced from the Global Reporting Initiative, Sustainability Accounting Standards Board, International Corporate Governance Framework, Impact Reporting and Investment Standards, Task Force for Climate-Related Financial Disclosures, and other leading global ESG organisations and accompanying standards. On an annual basis, Activate will prepare portfolio level KPI impact metrics as well as a detailed ESG report for each portfolio company.

Private Market Manager	Fund Name	Capital Committed (£m)
ECI Partners	ECI 12	20

Description of fund Impact/ESG

ECI Partners is a UK-based private equity manager focused on making control buyout investments in the UK mid-market. ECI was originally established in 1976 as Equity Capital for Industry by the Bank of England, tasked with providing liquidity and equity to UK small and mid-market businesses, and so has a long track record of investing in the UK.

ECI has been integrating ESG considerations into its investment process since 2007. Today, thorough ESG assessments are undertaken at each stage of ECI's investment decision making process. ECI established its ESG committee in 2019, tasked with building out ESG engagement across the business and the wider portfolio. ECI 12 will be an Article 8 Fund under the Sustainable Finance Disclosure Regulation (SFDR). Each portfolio company is required to provide bi-annual ESG KPI reporting and ECI produces an annual ESG report, which provides an ESG overview of the entire portfolio.

Private Market Manager	Fund Name	Capital Committed (£m)
Newcore	Strategic Situations Fund V	15

Description of fund Impact/ESG

Newcore is a small, independent, UK-based real estate specialist, focused on social infrastructure investments. Newcore Strategic Situations Fund V ("NSSF V") will make value-add investments in social infrastructure real estate assets in England. Social infrastructure investments are defined as real estate assets that enable the provision of essential services to society. These services include education, healthcare, waste management, life sciences, roadside uses and public sector buildings.

Newcore's philosophy has a sustainable focus however, under the Impact Management Project (IMP) framework, Newcore is classified as a Sustainable Investor, meaning it has a strong sustainable focus but does not fall within the definition of an impact strategy. Its mission is to deliver value-add returns from real estate investments, while improving and growing the stock of social infrastructure in England. ESG is well integrated into the investment process; Newcore actively measures environmental and social impact both quantitatively and qualitatively. Their investment approach seeks to repair rather than replace existing assets and deliver future-proofing environmental initiatives within the portfolio.

Newcore is a B Corporation, meaning it is legally required to consider the impact of its decisions on its workers, customers, suppliers, community and the environment. Newcore also donates 10% of its profits to charity. Although not required to, NSSF V will be voluntarily following the requirements of Article 9 under the Sustainable Finance Disclosure Regulation (SFDR), and will also be submitting to GRESB (Global Real Estate Sustainability Benchmark).

Private Market Manager	Fund Name	Capital Committed (£m)
Sandbrook Capital	Climate Infrastructure Fund I	17

Description of fund Impact/ESG

Sandbrook Capital is a new manager established in 2021 to invest into infrastructure solutions combatting climate change. Sandbrook Climate Infrastructure Fund I ("SCIF I") is the first fund by the manager. The strategy focuses on both greenfield and brownfield opportunities across five core sectors: clean power generation, transmission and storage, energy use and efficiency, low carbon supply chains and low carbon services.

Sandbrook became a signatory to the UN PRI framework in October 2021. Sandbrook have a proprietary Climate Impact Management System, which will be deployed to integrate impact measurement and management through the full investment process. All investments made by SCIF I must benefit at least one of the following UN Sustainable Development Goals: SDG 7 (access to affordable, reliable, sustainable and modern energy for all), SDG 9 (build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation), SDG 12 (ensure sustainable consumption and production patterns) and SDG 13 (deploy capital focused on reducing climate change and its impact on population).

Sandbrook plans to report on ESG performance quarterly and will also publish an annual ESG and Impact report which details progress over the year.

7.11 Before the addition of the above capital commitments to the Fund's Local/ Impact portfolio, the Fund's private market mandate was already invested in a number holdings that were actively involved in making an impact in relation to ESG factors, despite not being solely impact focussed. The below table provides a detailed example of one such Fund within the Fund's Private Market portfolio:

Private Market Manager	Fund Name	Current NAV (£m)
Legal and General Investment Management	Managed Property Fund	*£12.2
Description of fund Impact/ESG		

LGIM define social impact as the intentional, additional, and attributable economic, social and environmental benefits to communities as a result of our investment. They adopt a place-based approach. This means taking an asset-level view as to how they could intentionally contribute, deliver, and catalyse positive outcomes that address local needs.

The communities in which LGIM operate face different challenges, have different wants and needs – some areas are facing homelessness, others are facing challenges around ageing demographics. It's therefore essential that the measurement of impact is adapted and flexed to consider the specific asset, and its context. Whilst delivering positive outcomes for local communities is key, it's also vital that this impact aligns with LGIM's commercial objectives, protecting the investments of investors, many of whom will be pension funds.

LGIM have adopted this approach at The Dolphin Community and Shopping Destination in Poole. In partnership with the NHS, LGIM welcomed the first outpatient assessment clinic in a shopping centre, and the first in Dorset, to help tackle long patient waiting lists. LGIM now know that over half of patients stay and shop within the asset following their medical appointment (Source: NHS Dorset March 2023). So, alongside delivering positive social outcomes for the community, LGIM are bolstering footfall and revenue for occupiers, creating a relevant and resilient asset, and therefore, driving returns for investors.

Meanwhile, LGIM's Kingland initiative – whereby they gave 10 local entrepreneurs rent- and rate-free shops for 2 years – has transformed a once vacant section of the high street into an eclectic mix of independent retailers, selling a range of goods from plants to fish, coffee to restored furniture. Through LGIM's intervention, these small businesses have been given the support they need to establish and grow, contributing to an ecosystem at The Dolphin, which also includes a flexible office and co-working facility, wellbeing hub and events space.

In addition, LGIM have brought together a group of local stakeholders who represent some of the needs of the local community (Community Partnership) to co-create solutions to local issues such as anti-social behaviour, loneliness and employment opportunities. Members include charities, the NHS, local education institutions and the local council.

This model forms part of LGIM's long-term goal to deliver place-based social impact, creating a wellbeing hub which will engage and support residents. Pivoting The Dolphin away from a predominantly retail-led use will, LGIM believe, uncover opportunities to generate social impact, help to secure its long-term future and provide a positive return for investors.

*The Fund is open-ended and therefore current NAV is used as it is a more representative figure than the original commitment.

Principle 8

Investment Approach

"Signatories monitor and hold to account managers and/or service providers"

8.1 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. The Head of the Pension Fund, Philip Latham also completes annual review meetings with all service providers including, but not limited to, the Fund's Investment Consultant and Independent Advisor. Further information is given below on how the reviews are completed.

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 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 consultants, Mercer. The objectives may be revised at any time but are reviewed at least every three years, and after any significant change to the Fund's investment strategy and objectives. The Fund monitors adherence to the objectives annually and engage with Mercer to discuss areas that are working well, and areas of concerns. Examples of the objectives the Fund monitors Mercer against are shown on the next page.

The Fund monitors Mercer against several objectives which form the "Overall Objective", including:

- Alignment of services with Overall Objectives
- Investment Strategy Objective
- Investment Strategy Statement

- Responsible Investment Objective
- Investment Manager Selection Objective
- Implementation Objective
- Tactical Asset Allocation Portfolio
- Monitoring Objective

8.5 Aon Evaluation

The Fund regularly reviews the Aon (the Independent Advisor), scoring 1-5 on several objectives, 1 being substantial improvement required and 5 being consistently outperforms the required objective. The Fund scores the provider on a list of objectives which cover a broad range of topics including:

- Governance objectives
- Tender requirements
- Resource, budget and timeliness

The evaluation process takes place across all service providers to ensure that the Fund keeps all service providers accountable for deliverables and addressing areas of improvement required.

8.6 Fund officers regularly engage with the underlying investment managers via email, video conferencing and face-to-face meetings. Over the 12 months to 31 March 2023, the Fund's officers have engaged in some form with all managers. Investment managers include Russell, Man Group, BlackRock and Insight etc. In doing so, this keeps 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.

A key example of such engagement over the year to 31 March 2023 occurred in March 2023, when the officers with the support of their investment consultant, Mercer, engaged with the Fund's underlying managers, regarding potential exposure in the Fund's holdings to: Silicon Valley Bank (SVB), Signature Bank (SB), First Republic (RB) and Credit Suisse (CS). The officers collated the underlying manager's total exposure to the above mentioned distressed banks and whether any of them had any concerns about their exposure to said banks, which would therefore allow the officers to determine the scale of action, if any that was required to limit the Fund's exposure to any potential bank defaults that may occur. The outcome of the engagement was positive for the Fund as the exposure to the distressed banks was minimal and none of the underlying managers had any concerns about any exposure they did have, which therefore resulted in no further action was required.

8.7 In 2022, the Fund in consultation with Mercer, developed a monitoring template which it will use to monitor all of its Private Market managers going forward. The template specifically picks up information from the managers on ESG and Impact, including:

- Does the manager have a Sustainable Investment Policy?
- Is the manager doing anything to contribute to net zero or to a specified carbon emissions reduction target?

- Impact/ESG considerations that will help with TCFD and TNFD reporting
- Is the fund (or any of the underlying investments) aligned with any of the SDGs? Explaining which ones.
- Are the funds subject to the Sustainable Finance Disclosure Regulation? If so, please advise whether the fund is categorised as Article 6, Article 8 or Article 9 under the SFDR?

The monitoring template was used over the period to 31 March 2023 as part of the ongoing monitoring of existing private market managers. Officers and Mercer met with managers over the period to review mandates and keep an active dialogue to enable effective stewardship of mandates. The Fund continues to work with its private market managers to improve RI data and disclosures.

8.8 WPP's selected investment managers such as Russell Investments provide monthly valuation statements and quarterly performance reports for the underlying funds. WPP hold regular business update meetings with clients to discuss updates on pooling and discuss any new developments such as new funds coming to into the pool. Officers are in regular communication with WPP and play an integral part in the feedback of existing and upcoming mandates, as well as covering all aspects of Fund management. Further to the above the Fund also receive a Voting and Engagement Report from Robeco and a Responsible Investment & Climate Risk Report from Hymans Robertson.

The key service providers for the WPP are Link Fund Solutions and Russell Investments, with the host authority (Carmarthenshire) being responsible for monitoring the performance of both Link and Russell. The host authority produce reports that are subsequently delivered to the individual constituent authorities. The WPP Officer Working Group, receive quarterly performance updates on key performance indicators, and at the WPP Officer Working Group individual constituent authorities are given the opportunity to challenge the performance of both Link and Russell and provide their feedback.

8.9 The Fund's investment solution provider appointed through the pool (Russell) report to the Joint Governance Committee (JGC, see diagram in 2.12) on a quarterly basis. The JGC receive updates on the performance of all WPP funds from Russell, voting and engagement updates from Robeco, stock lending reports from Northern Trust (custodian) and 'responsible investment and climate risk reports' from Hymans Robertson (as oversight advisor to the WPP). Further to this, Cllr Ted Palmer, Chair Clwyd Pension Fund Committee (now Chair of the JGC as of July 2023), attends every JGC in which these service providers present updates.

Principle 9

Engagement

"Signatories engage with issuers to maintain or enhance the value of assets"

9.1 The Fund's officers engage with the WPP and its appointed manager, Russell, on a regular basis for updates on performance, manager selection, market information and engagement activities. The Fund's officers report to the Pensions Committee quarterly covering the performance of the Fund and its underlying managers as well as all other aspects of the Fund including items such as responsible investment.

9.2 Clwyd Pension Fund believe in the benefit of engagement on a wide range of topics with companies and has therefore delegated all voting rights to the Wales Pension Partnership, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco place particular focus on six key areas when engaging with companies, these are identified in Principle 12.

9.3 Robeco's Engagement Policy is updated annually, or more frequent if required. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers, focussing mainly on financially material ESG issues.

9.4 Robeco carry out three types of engagement, including corporate engagement, value engagement and enhanced engagement.

9.5 Value engagement focuses on long-term financially material ESG opportunities and risks, with the objective of creating value for investors through improved corporate governance and sustainable conduct. Enhanced engagement is covered in Principle 11, along with an example of voting escalation.

9.6 Robeco's active ownership program covers several asset classes and geographies. In some circumstances, engagement may differ for equity and fixed income portfolios. For example, engagement for credit portfolios are likely to be focused on downside ESG risks whereas engagements for equity portfolio are more likely to focus on both ESG risks and opportunities and or shareholders rights. Robeco note that the enhanced engagement program does not differentiate between investment styles or asset classes.

9.7 Robeco prioritise engagement by focusing efforts on a select group of companies on the most material ESG factors and themes. The Active Ownership team at Robeco select four to five new engagement themes each year for the value engagement program. The themes focus on both financially material topics that address ESG issues in a variety of investable areas as well as adverse sustainability impacts. Each theme focuses on 10-15 companies and typically runs over a three-year period.

9.8 In selection of Robeco's quarterly enhanced engagement cases, Robeco screen news flows for breaches of the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Robeco screens portfolio holdings on:

1) validation of impact on stakeholders or the environment of the UN Global compact principles or OECD Guidelines
2) the severity of the breach
3) the company's responsibility for and management of the issue.

For each enhanced engagement, SMART (Specific, Measurable, Attainable, Relevant, Time-based) engagement objectives are defined. Remediation is a key objective for enhanced engagement in all cases. The process for enhanced engagement theme selection is a formal part of Robeco's exclusion policy.

9.9 Robeco provide WPP a confidential engagement report on a quarterly basis, which provides detailed activity at an individual company contact level, including the topic, engagement objectives and overall status of each engagement for that period. Whenever Robeco engages with a company, such as meeting with management, chair of boards, or writing letters to raise concern full information is documented in the confidential engagement report. Examples of engagement conducted by Robeco are provided on the next page. For confidentiality reasons, all examples have been anonymised at the request of the provider.

9.10 Examples of Robeco engagement:

Fund:	WPP Global Opportunities
Theme:	United Nations Sustainable Development Goals ("UN SDGs")
Company:	Software
Activity:	Engagement – Artificial Intelligence ("AI")
Summary:	

Robeco have been engaging with a global software company who have significant links to the UN SDGs, 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, exposes the company to societal risks embodied by SDG 16 (peace, justice and strong institutions). To address these risks, the company has created a digital watermark to facilitate transparency and authentication, and Robeco will encourage that this tool is rolled out to all its products. The company has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication.

Outcome:

Robeco supports the work done by the company in relation to the risks AI creates to the company. Robeco continue to monitor and engage on topics linked to the UN SDGs.

Fund:	WPP Global Opportunities
Theme:	Social Impact of Artificial Intelligence
Section:	Technology
Activity:	Engagement – Artificial Intelligence
Summary:	

Robeco have been engaging with an American multinational technology company, which has been showing strong performance in developing and implementing AI policies and guidelines. For example, the company has published six ethical principles to drive responsible AI as well as user tools, guidelines, and resources to help implement it throughout the lifecycle of technologies, from concept to deployment. One specific example is a checklist, which helps prioritize fairness when developing AI. Additionally, the company has added requirements on responsible use by clients in the terms of service and marketing materials of its AI products and services.

Outcome:

Robeco supports the work done by the company, and continue to engage on matters pertaining to AI.

Fund:	WPP Global Opportunities & WPP Emerging Market Equity
Theme:	Acceleration to Paris Agreement
Sector:	Materials - Steel

Activity:	Engagement – Carbon Emissions
Summary:	

A South Korean steel-making company, has been expanding its steel production using coal-fired plants, which is one of the main topics of Robeco's engagement. As part of the engagement, Robeco sent a letter to the Chair of the company's ESG Committee, who also sits on its board, and followed up with the company's investor relations team over a call, to explain the relevance to investors of stopping coal investments.

In 2022, the company sold its coal business in Vietnam and has instead applied to construct a lower-emissions Liquified Natural Gas plant. It continues construction of its coal-fired plant in Korea because of contractual agreements but has indicated it will exit that business after completion.

Outcome:

Robeco continue to engage and monitor the situation with the company in question.

9.11 Robeco's Engagement Policy is fully compliant with the requirements of the European Shareholder Rights Directive II (SRD II). Full details of Robeco's Engagement Policy can be found in the **Robeco's Stewardship Policy.** WPP assets form part of this wider engagement.

9.12 Officers continually engage with the underlying fund managers which the Fund invests in on a regular basis, via email, phone, online video or face to face meetings.

An example of such engagement over the period was to engagement with the underlying managers on exposure to several banks following news of potential collapse and adverse impacts on holdings. As a result, officers with the support of their investment consultant, Mercer, engaged with the underlying managers to collate total exposures to the banks in turmoil. This allowed the officers to determine the scale of impact and determine if action would be needed. The outcome was positive for the Fund as the exposure was minimal, and therefore no further action was required.

9.13 Robeco's latest full stewardship report submission can be found here: **Robeco Stewardship Report**. Robeco will report against the stewardship code on an annual basis.

9.14 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/**

9.15 The Fund has holdings with several managers outside of the WPP, who engage with companies on behalf of the Fund. Examples of the engagement carried out over the year to 31 March 2023 are outlined in the table below:

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	JFE Holdings
Activity:	Engagement - Emissions reduction target
Summary:	

JFE Holdings is a Japan headquartered corporation. Through its subsidiary, JFE Steel, the company is the second largest steel producer in Japan, both in terms of installed capacity and market capitalisation. In 2020, JFE Steel revenues represented more than 60% of the corporation's total revenues, while contributing to 99% of its total emissions. In terms of both their headline target for emissions reduction, and their stated strategy for achieving it, JFE lag behind their steel producer peers.

An investor group comprised of Man Group, Storebrand, and the Australasian Centre for Corporate Responsibility (ACCR) engaged with JFE Holdings ahead of the company's annual general meeting. This comprised of a letter, followed by multiple meetings with management discussing the ambition of existing targets, the strategy to achieving them, and whether current incentives for management via the remuneration policy were sufficiently aligned with these goals.

Outcome:

The investor group successfully secured enhanced climate commitments from JFE Holdings, including:

1) a focus on exceeding its current 30% emissions reduction target by 2030;

2) annual shareholder consultation on technology investment to meet target;

3) a commitment to link executive remuneration with company's medium term business plan.

Since the engagement, JFE Holdings announced it will switch one of its furnaces to electric around 2028, in contrast to statements made as recently as May 2021. The company also agreed to meet with Man Group's Stewardship Team at the beginning of 2023, representing an on-going, constructive dialogue.

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	HSBC Holdings PLC
Activity:	Engagement – Fossil fuel exposure, phase out coal, timeline aligned with the Paris Agreement
Summary:	

In 2021, Man Group initiated a co-filed shareholder resolution, together with 14 other institutional investors (representing $2.4 trillion in assets under management) and 130+ retail investors, which was co-ordinated by responsible investment NGO ShareAction, calling on the bank to reduce its exposure to fossil fuel assets, starting with coal, in line with the goals of the Paris agreement. Following constructive engagement with ShareAction and the co-filing group, the bank committed to phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries, and to publish a new coal policy. Subsequently, due to the bank's positive response on climate policies and coal targets, the shareholder resolution was withdrawn. In December 2021, HSBC announced its new coal phase out policy, which the co-filing group identified as failing to meet the red lines previously set out by investors. While HSBC's renewed coal policy was an important step forward, after previously lagging those of its European peers, certain important loopholes were identified.

Man Group have since co-filed a second shareholder resolution during the reporting period, together with 10 other institutional investors and retail shareholders, calling on the bank to close its fossil fuel policy loopholes. Man Group Man Group participated in further constructive engagement, including various meetings and a collective investor letter outlining investors' expectations sent to HSBC.

Outcome

As a result of the engagement and investor pressure, HSBC committed to phase down financing of fossil fuels in line with limiting global temperature rise to 1.5C, as well as to update the scope of its oil, gas, and thermal coal policies by the end of 2022. Importantly, HSBC pledged to update the scope of its fossil fuel targets to cover capital markets activities by Q4 2022. The coalition of investors and ShareAction agreed to drop the shareholder resolution with the expectation that the bank followed through on its commitment with serious action. In December 2022, as part of its new energy policy, HSBC announced it will stop funding new oil and gas fields and new metallurgical coal mines, introduce strict requirements for new clients relating to oil and gas exploration, and set an absolute thermal coal on balance sheet financed emissions target of 70% reduction by 2030, among other commitments.

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 Eight Welsh LGPS funds. The Fund also proactively engaged with WPP in setting WPPs Responsible Investment (RI) policy and objectives. The Fund’s officers formally requested an active sustainable equity sub-fund to be considered as part of the pool. The Fund has been actively engaged with all parties involved including WPP and Russell Investments, and lead the development of the sub-fund, with the Committee subsequently approving a 15% allocation to it. Although it was Clwyd who requested that this fund be created most/all local government pension funds within Wales will now be investing into the fund Therefore the outcome of the Clwyd Pension Fund’s early work 3 to 4 years ago there is now a sustainable equity fund for the whole of Wales which launched in June 2023 with over £1bn in AUM at the time of writing. 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, who utilise Robeco as their dedicated voting and engagement provider. The Fund also delegates its voting rights to the underlying managers of the Best Ideas Portfolio, with the Fund regularly receiving significant voting and engagement examples from all managers where applicable.

10.3 To ensure relevant engagement case selection, Robeco work collaboratively with other institutional investors in join initiatives such as Climate Action 100+.

Robeco actively engages with companies on behalf of the Fund to promote discussion around Net Zero, Decarbonisation, Capital Alignment, Climate Change Policy, Climate Change governance and TCFD disclosures.

Over the period in question, Robeco have been actively engaging with companies on such matters, examples of which are provided below. For confidentiality reasons, all examples have been anonymised at the request of the provider.

Fund:	WPP Global Opportunities & WPP Emerging Market Equity
Theme:	Climate lobbying and disclosures
Activity:	Collaboration - Net Zero Emissions
Summary:	

Robeco have co-led an engagement with the company in question under the Climate Action 100+ initiative since 2018. Robeco have seen significant progress across most of their engagement objectives since then. More recently, Robeco have focused their engagement on the company's climate lobbying and disclosures.

Over the last year, Robeco have had intense engagement with the company on this topic and provided extensive feedback based on Robeco's expectations.

Outcome:

In Q2 2022, Robeco have seen positive results from this engagement effort, as the company has significantly improved its disclosures on climate lobbying. In the company's 2021 Consolidated and Sustainability Reports, they disclosed for the first time an assessment on the level of alignment with the goals the Paris Agreement. This is something that the industry associations that the company 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 the company's score from 21/100 to 57/100. This means the company now ranks third among Climate Action 100+ focus companies that have published an industry association review.

Fund:	All WPP Funds
Theme:	Biodiversity
Activity:	Collaboration - Finance Sector Deforestation Action ("FSDA")
Summary:	

Robeco are actively partaking in the Finance Sector Deforestation Action ("FSDA") initiative, a collaborative investor group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025.

Outcome:

As part of the investor group, Robeco have joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies. These include, among others, meat producing and forestry companies, on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

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 advisors, 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.

Debbie Fielder, Deputy Head of Clwyd Pension Fund currently sits on the board for Pensions for Purpose as a Non-Executive Director (NED).

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**.

10.8 The Fund's officers are actively engaged with and aim to influence for the better groups, boards and committees they sit on. Current officers of the Fund are members of the following:

- Scheme Advisory Board Responsible Investment Group
- LGPS Cross Pool Responsible Investment Group
- WPP RI-Sub Group
- UK Pension Schemes Responsible Investment Roundtable
- GIIN Institutional Asset Owner Roundtable Working Group
- NED Pensions for Purpose (Pro Bono)
- Pensions and Lifetime Savings Association (PLSA) Local Authority Committee.

10.9 Fund officers receive questions from members, local groups and employers about the Fund's approach to responsible investment, in particular the management of climate risk. During the period in question, Together Creating Communities (TCC) reached out to Fund officers to discuss the Fund's approach on such issues. Also during the year, the Head of the Clwyd Pension Fund engaged with Wrexham County Borough Council (WCBC) surrounding the Funds policy on disinvesting from fossil fuels. The members of the WCBC supported the Fund in its carbon reduction approach. These discussions help reinforce the priority of responsible investment within the Fund's business plan and provides comfort that the Fund's approach has support from wider stakeholders.

10.10 The Fund invites all employers and member representatives to an Annual Joint Consultative Meeting (AJCM), where the Fund explains its investment approach (including responsible investment) and seeks views and opinions from the audience.

10.11 Over the 12 months to 31 March 2023, the Fund was invited to speak and participate in discussions covering items responsible investment. An example has been provided below.

- **Speaking Panel – Mercer UK's LGPS Sustainable Investment Conference (March 2023)**
  - Deputy Head of the Clwyd Pension Fund was invited to speak at Mercer's LGPS Sustainable Investment Conference to discuss levelling up and investing in local opportunities.

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. 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**.

11.7 Examples of voting escalation:

Fund	WPP Multi-Asset Credit
Engagement Theme	Global Controversy
Date	10/11/2022
Objectives	Transparency, Elimination of breach, Risk management systems, Stakeholder dialogue

Robeco conducted a final analysis of a large multi-national pharmaceutical company's performance in relation to its alleged anti-competitive practices, including price-fixing of generic drugs in the U.S. and involvement in cases of unethical business practices in several countries. Robeco has placed the company in its exclusion list in the second quarter of 2022 as it failed to comply with Robeco's minimum good governance standards under the EU Sustainable Finance Disclosure Regulation (SFDR) requirements. This relates to the company's non-compliance status against Principle 10 (business ethics) of the UN Global Compact. The latest legal update on the case was in October 2022, when the European Commission disclosed its preliminary findings from an antitrust investigation that started in 2020. It concluded that the company in question had breached EU antitrust regulations by engaging in delay schemes to block competition, harming competitors and patients, as well as inflating public health spending. There was repeated involvement in multiple anti-competitive practices across jurisdictions and track record of misconduct involving top management could indicate a structural failure to manage the issue adequately and prevent a recurrence. Robeco closed the engagement objective 'Risk management systems' as unsuccessful.

The company has been working on strengthening its compliance and ethics programs in the past years, however, the efficiency of these remains to be proven. In previous calls Robeco stressed the importance of increasing transparency regarding how it monitors and ensures the effectiveness of its compliance programs. There has not been new information released on that topic. While the company has firmly rejected the Department of Justice ("DOJ") allegations, three out of the four companies that it has conspired with have admitted wrongdoing. This increases the likelihood of the company receiving a negative ruling from the DOJ. Given the defensive stance of the company on the DOJ indictment, lack of disclosure on the findings from their internal investigation concluding that the allegations are unsubstantiated and the lack of robustness of its compliance and ethical programs, Robeco closed the engagement objective 'Transparency' as unsuccessful.

The company allegedly played a central role in an industry-wide price-fixing scheme involving generic drugs in the US and other markets. The latest allegations follow previous severe anti-competitive and corruption incidents related to bribing competitors to delay the introduction of generic drugs and bribing government officials to increase sales of its medicines in several countries. The company has infringed on consumers' rights because patients had to pay inflated prices for these drugs and constrained their accessibility. Given the ongoing nature of these legal investigations, Robeco closed the engagement objective 'Elimination of the breach' as unsuccessful.

The company reports on a comprehensive approach to stakeholder engagement, specifying the different communication channels and key topics discussed with relevant groups. However, there is no clarity on how these dialogues are considered to inform their strategy and activities. The company has an Integrity Hotline accessible to anyone with concerns regarding potential violations of the 'Company's Code', policies or laws. Yet there is no disclosure on the number of issues raised through this channel or protocol to handle serious complaints. Given the lack of material evidence on how the company engages in constructive dialogue with stakeholders, Robeco closed the engagement objective 'Stakeholder Dialogue' as unsuccessful. Finally, the company has been revamping its policies and procedures around business ethics and compliance. It has recently published an updated compliance strategy with concrete goals. Furthermore, the company now has a stronger ethical marketing and drug promotion program, which adheres to global standards in the pharmaceutical industry.

Status	Robeco have closed the engagement objectives 'Transparency', 'Elimination of the breach', 'Risk Management Systems' and 'Stakeholder Dialogue' as unsuccessful and therefore close the overall engagement dialogue as non-effective.

Fund	WPP Global Opportunities
Engagement Theme	Sound Social Management
Date	27/06/2022
Objectives	Human rights practices, Labour practices, Supply chain management

Robeco evaluated a health care multi-nationals progress over the last few years with regards to its oversight and management of human and labour rights in its palm oil supply chain. Since the start of the engagement, the company has enhanced its supply chain oversight, enforcing its responsible sourcing commitments through its 2020 initiated satellite monitoring system to detect deforestation incidents in their supply chain, and its recently published Forestry Grievance Tracker, creating a more transparent overview of how the company captures and addresses deforestation and human rights incidents. To this end, in July 2021 the company reached their target to use 100% Roundtable on Sustainable Palm Oil ("RSPO") certified Palm and Palm Kernel Oils and derivatives in their brand products (compared to 45% in 2019). However, the company continues to face limitations in oversight. Questions remain around the granularity of oversight, clarity on the exact share of sourced volume traced, the portion of mass balance versus segregated RSPO volumes sourced, and the RSPO certification ambition for not only the company's brands but also its chemicals products, which reflect approximately half of the company's sourced palm kernel oil and is only to 53% certified. Beyond the company's oversight, Robeco have also encouraged them to promote socially and environmentally responsible practices across its supplier base. While the company shared their supplier non-compliance process with us, and while their Forestry Grievance Tracker puts forward clear examples on how human rights and labour grievances have been resolved across its supply chain by the termination of certain sub-supplier contracts after illegal logging and labour rights violations were found, Robeco perceive the company's approach to remain reactive. This reactive approach seems to also dominate their approach towards broader labour and human rights challenges in their supply chain. While the company acknowledges the importance of reinforcing labour and collective bargaining rights among rural and migrant communities in palm oil sourcing countries, little further action was shared to evidence the company's proactive stance to the remaining labour challenges. Updates around the suppliers holding's actions to address labour rights in its operations also remain scarce and the company's support to its suppliers remains unclear. Meanwhile, even though on a smaller allegations around community rights abuses. Some of the most recent controversies from 2022 involve suppliers such as Golden Agri-Resources depriving rural and indigenous communities in Indonesia of legally required plasma plantations, and suppliers in Africa being associated with illegal land acquisition and violence against local communities. While recognizing the smaller scale of the latter examples, they reflect a lack in human rights chain.

Status	Overall, despite remaining gaps, Robeco believe the company has made good progress in improving their supply chain oversight since 2020, leading Robeco to close the engagement objective 'Supply Chain Management' successfully. They have clearly outlined the knowledge barriers hindering labour rights in previous calls and repeatedly highlights the importance of human and community rights in its policies. However, the limited proactive response to overcome these challenges lead Robeco to leave both the 'Labour rights' and 'Human rights practices' objectives on flat progress, thereby closing the overall engagement unsuccessfully.

Fund	WPP Global Opportunities
Engagement Theme	Sound Social Management
Date	27/06/2022
Objectives	Human capital management, Product stewardship

On June 27, Robeco spoke to Human Resources representatives at a multi-national drug development company. During the call, Robeco discussed their latest updates on their

Diversity and Inclusion (D&I) strategy and disclosures, as well as how Robeco voted at their latest shareholder meeting. In their latest CSR report, the company reflected on the end of their five-year D&I strategic plan. Globally, they have increased the representation of women in executive management roles by 7.2% from 2017 to 2021. Over the same period, US representation of women increased by 1% and racially and ethnically diverse colleagues by 6.2%, including in executive management roles by 8.9% and 2.3%, respectively. Despite the increased level of disclosures, Robeco encouraged them to set global D&I targets on the level of diversity they would like to achieve across different job categories. Doing so, investors could better understand the overarching D&I strategy and level of ambition across the organization. Although there are internal targets on D&I that company is reluctant to share this externally, given the lack of standardization on data availability across the jurisdictions where it operates. Robeco informed the company about their vote against the chairman of the Nomination Committee at the Board, given the lack of sufficient gender diversity. During the call, the company shared its ambition to increase the female representation up to 30% of the board seats by 2023, which would comply with Robeco's minimum level of female representation required on supervisory boards. Finally, Robeco discussed the overall low Gender Score that the company gets under the S&P Corporate Sustainability Assessment (CSA) questionnaire. Robeco highlighted the lack of disclosures on global female representation across different job categories and the gender pay gap as key detractors of their Gender Score. Robeco agreed on sharing a detailed breakdown of their current Gender Score and how it compares to peers in a follow-up call.

Status	Although Robeco recognize the increased level of disclosures around the D&I efforts the company implemented in the last years, these still remain on a high level and do not address key topics such as the gender pay gap. Given the launch of a dedicated engagement theme on D&I in Q3 2022, Robeco will close the current engagement dialogue as unsuccessful and transfer this case to the new engagement program.

Robeco keep a track of unsuccessful engagements and discuss these with WPP at regular meetings.

The officers through the RI-sub group of the WPP have been working with the pool to create an escalation policy for failed engagements. This is now recognised within the WPP Stewardship Policy (approved by JGC July 2023). Officers are now working on the details of the escalation policy with the WPP, to be approved by the JGC in 2023/24. This policy will look to put in place a process to take action in areas where engagement has been unsuccessful or where there is high concern that a company is in breach of WPP's existing policies. This is a positive step in WPP's progress towards being an active steward and supporting good governance across all underlying constituent authorities within Wales.

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 who assist in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

12.6 Before WPP appointed Robeco and implemented the WPP voting policy, individual managers within Sub-Funds were responsible for voting in line with their own house policy. The implementation of a single policy has ensured that all votes are cast in a consistent manner.

Voting Policy

12.7 WPP formed an RI-Sub Group in order to support the pool's RI policies and provide ongoing scrutiny of its providers. The group has officer representation from all Constituent Authorities and meets two times a quarter.

12.8 Following their appointment, WPP worked with Robeco to agree an appropriate voting policy. Rather than developing a tailored portfolio, WPP reviewed Robeco's own policy and took the decision to adopt this as an initial template. WPP's RI Sub-Group took into consideration various approaches in the development of its voting policy, including a "bottom-up" policy. However, the group decided that adopting a house policy as an initial standard would enable the pool to implement a single standard at a faster pace.

WPP will review 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 on the six chosen areas as stated.

LAPFF alerts and WPP instruction to Robeco

12.10 As a member of the LAPFF, LAPFF provide alerts when there is a campaign to vote in a certain way. WPP have instructed Robeco to give due regard to all LAPFF alerts, and where Robeco considers appropriate will vote in line with the LAPFF alert. If in the instance Robeco's view differs from LAPFF, WPP will engage with Robeco and request reasons for each event.

Monitoring voting effectiveness

12.11 Before WPP implemented its own voting policy, votes were cast in line with the underlying individual managers voting policies. Due to the contrasting nature of each of the underlying manager's voting policies and the focus on implementing a single voting policy, WPP took the decision to not exercise independent scrutiny of voting outcomes ahead of the single policy implementation.

WPP receive quarterly voting reports from Robeco which cover key statistics and information on voting over the period. Robeco has only been voting in line with the agreed voting policy since 1 January 2021.

Engagement and Voting

12.12 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 2022/23 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Russell - Global Opportunities	539	6,903	5,970	800	58	75
Russell - Emerging Market	561	6,128	5,119	915	40	54
Best Ideas Portfolio						
BlackRock - US Opportunities	96	1,270	1,180	79	1	5
Ninety One - Global Natural Resources	53	732	675	40	17	0
LGIM - Listed Infrastructure	86	1,073	817	256	0	0
LGIM - North America Equity Index	676	8,543	5,587	2,952	5	0
LGIM - Future World Europe (ex-UK) Equity	431	7,617	6,265	1,319	33	0
LGIM - High Yield Bonds	3	14	12	2	0	0

Source: Investment Managers.
Note: LGIM Sterling Liquidity Fund and LGIM Commodity Index do not have voting data. Figures may not sum due to rounding.

Voting Examples

12.13 Robeco cover all voting and engagement for Clwyd Pension Fund's pooled assets, examples of votes cast over the 12 months to 31 March 2023 are shown below:

Fund:	WPP Global Opportunities
Company:	Amazon
Date of meeting:	25/05/2022
Resolution:	Shareholder Proposals Asking for the Company to Report on Plastic Packaging, Lobbying Activities, and Working Conditions

Voted:	Voted in support of all three proposals
Outcome:	No proposals were passed

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 provides insights on a few shareholder proposals that received media attention and high support from investors.

Robeco supported the proposal 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. Robeco 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 favour.

Another resolution encountered in the company’s agenda, similarly to most big Tech companies, was the one regarding the preparation of a lobbying report. Robeco believed 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, Robeco 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, Robeco supported 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.

Fund:	WPP Global Opportunities
Company:	Metro Inc.
Date of meeting:	24/01/2023
Resolution:	Shareholder Proposals regarding the Adoption of Emission Reduction Targets in line with Paris and a Human Rights Impact Assessment
Voted:	Voted in favour of both proposals
Outcome:	While support rates for both proposals were around 28.5%, neither got approved by a majority of shareholders

Metro Inc. operates as a retailer, franchisor, distributor, and manufacturer in the food and pharmaceutical sectors in Canada. Besides the regular governance-related agenda items like the election of Board directors, the appointment of the auditor and an advisory vote on Executive compensation, the 2023 Annual General Meeting (AGM) of Metro Inc. included two shareholder proposals.

The first shareholder proposal requested the company to adopt near- and long-term science-based greenhouse gas emissions reduction targets, including Scope 3 emissions from its full value chain. These targets should align with the Paris Agreement's 1.5°C goal requiring net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030. After analysing the proposal, Robeco decided to vote in favour of it, as they believe it is a reasonable request, which allows sufficient latitude to the board while making sure the company prepares and plans for mitigating environmental risks.

The second shareholder proposal requested the company to publish a report, at reasonable cost and omitting proprietary information, with the results of an independent Human Rights Impact Assessment identifying and assessing the actual and potential human rights impacts on migrant workers from the company's business activities in its domestic operations and supply chain in Canada. In this case, Robeco's general approach applies to support shareholder proposals requesting reporting on company's compliance with international human rights standards.

Fund	WPP Global Opportunities
Company:	Meta Platforms Inc.
Date of meeting:	25/05/2022

Resolution:	Shareholder Proposals Asking for Recapitalization, Human Rights Impact Assessment, and Report on Lobbying.
Voted:	Voted in favour of all three proposals
Outcome:	No proposals were passed

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 on May 25th, there were numerous shareholder proposals up for a vote.

The resolutions aimed to address various Environmental, Social, and Governance 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. Robeco supported this resolution since they believed that one vote per share operates as a safeguard and is in the best interest of minority shareholders. The resolution received 28.1% 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. Robeco consider additional disclosure to be in the best interests of shareholders, and decided to support the resolution. The proposal received 23.8% support.

Lastly, shareholders requested the company to report on its lobbying activities. Robeco supported the resolution for the reasons mentioned hereafter. Robeco 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, Robeco are concerned with the lack of board-level oversight of its political contributions and lobbying activities, and Robeco consider some degree of board oversight to be desirable. The proposal received 20.6% of support from investors.

Fund	WPP Emerging Market Equity

Company:	Prosus NV
Date of meeting:	24/08/2022
Resolution:	Remuneration Report, Remuneration Policy Executive and Non-Executive Directors & Authority to Repurchase Shares.
Voted:	Voted for proposal: 1 Voted against proposal: 2 & 3
Outcome:	Proposals passed: 1, 2 & 3

Prosus N.V. engages in the e-commerce and internet businesses. It operates internet platforms, such as classifieds, payments and fintech, food delivery, travel, education, retail, health, social, and other internet platforms.

The company's 2022 annual general meeting occurred amidst high scrutiny over the continued rise in Prosus' valuation discount. In this context, three resolutions were particularly noteworthy.

First, Prosus asked shareholders to approve a share buyback authority enabling the board to repurchase shares representing up to 50% of the issued share capital over a period of 18 months. Robeco voted for the resolution, having assessed that the proposed buyback is an effective means to address Prosus' steep valuation discount. The proposal was supported by an overwhelming majority c. 93%.

Second, Prosus asked for approval on certain changes to the remuneration policy aimed at incentivizing the executive team to focus on reducing the discount to NAV. Specifically, the company proposed to not award any long term incentives for the 2023 financial year and to instead issue a special discount-linked short term incentive, to be earned based on whether a "material reduction" of the discount to NAV is achieved by the end of 2023 financial year. Per the company's disclosure, the board retains full discretion to assess the materiality of the reduction. Robeco voted against the resolution based on the concern that the proposed changes place excessive focus on short-term performance and that the proposed plan lacks sufficient transparency. The resolution was approved with 12% dissent.

Finally, Robeco voted Against Prosus' remuneration report, which was opposed by 14% of the votes cast. In line with the voting policy, Robeco assessed the report based on Robeco's proprietary remuneration framework and identified concerns with regards to pay magnitude and transparency.

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 WPP's approach to exercising rights and responsibilities can be found in the latest **Wales Pension Partnership Stewardship Report .**

Further information on the WPP and ongoing updates on the WPPs progress can also be found on the WPP **website** and **LinkedIn page**.

Non-Pooled Assets - Voting Examples

12.16 The Clwyd Pension Fund also holds investments outside the pool and therefore has voting rights from holdings within the Best Ideas Portfolio. Examples of votes cast within the Best Ideas Portfolio by the Funds underlying managers over the 12 month period to 31 March 2023 are shown below:

Best Ideas Sub-Fund	LGIM Infrastructure MFG (GBP Hedged)
Company:	Getlink SE
Date of meeting:	27/04/2022
Resolution:	Approve Company's Climate Transition Plan
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the Company's Climate Transition Plan due to the lack of clarity around long-term goals and net zero ambitions. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Infrastructure MFG (GBP Hedged)
Company:	SBA Communications Corporation
Date of meeting:	12/05/2022
Resolution:	Elect Director Jack Langer
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the resolution as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Future World Europe (ex UK) Equity Index
Company:	UBS Group AG
Date of meeting:	06/04/2022
Resolution:	Approve Climate Action Plan
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the proposal following internal discussion. While LGIM positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, there are concerns about the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Future World Europe (ex UK) Equity Index
Company:	Siemens Gamesa Renewable Energy SA
Date of meeting:	25/01/2023
Resolution:	Ratify Appointment by Co-option of and Reelect Christian Bruch as Director
Voted:	Against
Outcome:	The resolution was passed

LGIM believes that voting against these items is warranted because:

- The proposed elections are connected with the company's delisting, which does not warrant shareholder support.
- The board composition will not comply with the minimum requirements on independence and gender diversity.

Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM North America Equity Index Fund
Company:	Amazon.com, Inc.
Date of meeting:	25/05/2022
Resolution:	Elect Director Daniel P. Huttenlocher
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the proposal as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM North America Equity Index Fund
Company:	Exxon Mobil Corporation
Date of meeting:	25/05/2022
Resolution:	Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal
Voted:	For
Outcome:	The resolution did not pass

LGIM voted for the resolution as the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

12.17 Leadership in stewardship across various asset classes

As a Fund we recognise that the approach to stewardship is typically more developed for listed equity managers. They are expected to fully exercise their voting and engagement responsibilities. However, we also expect manager across other asset classes to exercise their stewardship rights and responsibilities to the fullest extent possible. Below briefly explains some of the key characteristics we expect to see from each of the investment managers looking to demonstrate strong stewardship across various asset classes.

- **Fixed Income** – engagement with issuers can enhance creditworthiness, such as engaging with companies on issues regarding the environment and human rights.
- **Private Equity** – funds typically have significant stakes in companies, meaning that they have significant influence and/or full control over management and decision making.
- **Private Debt** – there is typically less control for investors compared to private equity, but one way of creating influence is to shape the term of a loan to influence the issuer. Recent initiatives have been inclusion of ratchet mechanisms to the borrowing rate linked to key ESG objectives for some loans.
- **Real Estate and Infrastructure** - assets can be enhanced and improved through a 'hands on' approach by enhancing the sustainability characteristics of the assets. Strong ownership positions can also help in terms of active engagement with management (including hiring strong teams) and working with key stakeholders.

Glossary

Item	Description
Actuarial Valuation	The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
Administering authority or scheme manager	Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
Advisory Panel (AP)	A group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Head of the Clwyd Pension Fund, Fund Consultant, Fund Actuary and Fund Independent Advisor.
Clwyd Pension Fund (the "Fund")	The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.
Clwyd Pension Fund Committee (the "Committee")	The Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
Chartered Institute of Public Finance and Accountancy (CIPFA)	UK based accountancy membership and standard setting body.
Department for Levelling Up, Housing & Communities (DLUHC)	Supports communities across the UK to thrive, making them great places to live and work.
Funding Strategy Statement (FSS)	The main document that outlines how we will manage employers' contributions to the Fund.
Funding & Risk Management Group (FRMG)	A subgroup of Pension Fund officers and advisors set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Head of the Clwyd Pension Fund, Fund Actuary, Strategic Risk advisor and Investment Advisor.

Item	Description
Financial Reporting Council (FRC)	Regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
Investment Strategy Statement (ISS)	The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
Local Authority Pension Form Forum (LAPFF)	Is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners.
Local Government Pension Scheme (LGPS)	The national scheme, which Clwyd Pension Fund is a part of.
Markets in financial instruments directive II (MiFID II)	A European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims to standardise practises across the EU.
Pensions and Lifetime Savings Association (PLSA)	A trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.
Pensions for Purpose	Exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment.
Private Market Investments	Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.
Scheme Actuary	A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

Item	Description
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Sustainable Finance Disclosure Regulation (SFDR)	Imposes mandatory ESG disclosure obligations for asset managers and other financial market participants (FMP). SFDR aims to bring a level playing field for FMP and financial advisors on transparency in relation to sustainability risks the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products.
Society of Local Authority Chief Executives (SOLACE)	A leading members' network for local authority government and public sector professionals through the UK.
Tactical Asset Allocation Group (TAAG)	A group consisting of The Clwyd Pension Fund Manager and investment consultant, Mercer, the Fund Consultant.
Task Force on Climate Related Financial Disclosures (TCFD)	TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.
Taskforce on Natured Related Financial Disclosures (TNFD)	Builds upon TCFD but acting on behalf of nature. It is a nature-related framework to drive better understanding and reporting of nature-related risks and opportunities.
UK Stewardship Code 2020	Set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.
UN Principles for Responsible Investment (PRI)	International organisation that works to promote the incorporation of ESG factors into all decision making processes, seeking to build a more sustainable financial system.
Wales Pension Partnership (WPP)	A collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.

Cronfa Bensiynau
CLWYD
Pension Fund

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

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

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 30 August 2023
Report Subject	Responsible Investment Policy within the Investment Strategy Statement
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The LGPS Investment Regulations include a requirement to produce and maintain an Investment Strategy Statement (ISS). The Fund's first ISS was produced in 2017, and the most recent was approved in February 2022. The Regulation states that statements must be kept under review and revised from time to time and at least every three years.

At the meeting of the Committee in February 2023, the review of the investment strategy was presented along with the first draft of the ISS, members agreed to a new strategic asset allocation, but proposed changes to the ISS in relation to some of the Fund's Responsible Investment (RI) policies.

As a result, Officers along with the support of the Fund's consultants, now recommend an 'Exclusions Policy' in relation to 'fossil fuel' companies.

The revised Responsible Investment Policy within the ISS is now attached as an Appendix to this report, and has been updated to reflect the Fund's new exclusion policy.

RECOMMENDATIONS	
1.	The Committee note, comment on, and approve the revised Responsible Investment Policy of the Investment Strategy Statement, for consultation.

REPORT DETAILS

1.00	2023 Revision of Investment Strategy Statement
1.01	The LGPS Investment regulations require that the Fund "consults with such persons as it considers appropriate as to the proposed contents of its investment strategy". As such the amendments to the RI policy will be going for consultation. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide the statutory framework under which the Administering Authority is required to prepare and publish an Investment Strategy Statement (ISS). The Regulations and accompanying guidance required that Administering Authorities prepared and published their first ISS by 1 April 2017. After this, the requirement is that the ISS is regularly reviewed and updated from time to time; at least every three years.
1.02	The Committee approved the first Clwyd Pension Fund ISS in 2017, and the last revision was February 2022. Since then, a full review of the Investment Strategy was undertaken in tandem with the 2022 actuarial valuation. The Committee met in February 2023, to discuss the investment strategy review and the first draft of the ISS. The Committee agreed to accept the revised strategic asset allocation presented, however, further changes were proposed in respect of sections within the Fund's RI policy, specifically in relation to reducing exposure to fossil fuels. It was agreed at the time that additional training topics would be arranged for Committee to discuss this. Committee have since received three training sessions on the topic: 26 April 2023, 3 May 2023 and 2 August 2023. The first sessions (26 April 2023 and 3 May 2023) covered the history of the Fund, how the Fund's funding position and investment strategy has evolved over time and highlighted the practical implementation challenges that the Fund faces. In particular, with pooling the Fund has to work in collaboration with other partner funds across Wales to implement policies collectively. These sessions also covered Responsible Investment, with a focus on what to consider when setting divestment policies. The Committee discussed the challenge in defining fossil fuel exposure due to a range of companies involved in the value chain. The session also proposed a potential framework within which to consider divestment policies. The training session on 2 August 2023 revisited the divestment assessment framework and proposed four divestment policies to review. These were debated and agreed by the members present at the meeting. At this session, a divestment policy (the 'Fund's Ambition') was discussed by members present at the meeting, along with a 'Minimum Objective'. As a result, the revised ISS now incorporates the exclusion policy, which has been formally labelled as the Fund's 'Exclusion Policy' and is noted below in section 1.03.

	In addition to the exclusions policy, the draft ISS also notes that “where companies in carbon-intensive sectors do not demonstrate a credible strategy to attain net zero over time, and are not considered to be on the right trajectory to make progress in this area, the Committee’s policy view is that selective divestment is potentially a valid outcome. Given the pooled fund nature of the investments, the Committee recognises that its actual ability to divest is dependent on the processes and policy of the Wales Pension Partnership. The Committee will actively engage with the Wales Pension Partnership on this area.”
1.03	**Exclusion Policy** An exclusions policy assessment framework has been developed and the Fund will develop a plan to implement the following exclusions:

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

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

The Fund is seeking to implement the above “Fund’s Ambition” exclusion policy. It is recognised that, at present, there are limited implementation options for this policy. As a result the Fund has established a “Minimum Objective” exclusion policy which is aligned with the Paris Aligned Benchmark

	and as such believes is practically more implementable. The Fund recognises that in order to implement the exclusions policy it will need to work with the Wales Pension Partnership. Given the pooled fund nature of the investments, the Fund will take a best efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion policy. This will be monitored on an annual basis with an explanation sought, if companies are held in breach of the exclusions criteria.
1.04	The updated Responsible Investment Policy within the ISS is attached as an appendix to this report and the key changes are highlighted in the document and summarised below: • New Exclusions Policy • Changed target for sustainable listed equities to be all holdings by 2030 • Successful application to the UK Stewardship Code 2020 • Selective divestment from companies without a credible net zero strategy Committee members are asked to approve the Responsible Investment Policy within the Investment Strategy Statement which will then be consulted on with employers.

2.00	**RESOURCE IMPLICATIONS**
2.01	The continued high focus on responsible investment and climate change matters increases the amount of work for both officers and advisers. The impact relating to offer resource will continue to be monitored. There will be a cost to implementing the Exclusions Policy, which will be incorporated into the 2024/25 and future year budgets.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The LGPS Investment regulations require that the Fund "consults with such persons as it considers appropriate as to the proposed contents of its investment strategy". The Fund's will consult with its employers and seek their views on the amendments.

4.00	**RISK MANAGEMENT**
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Funding and Investment risks: F2, F3, F4, F6 and F9

5.00	APPENDICES
5.01	Appendix 1 – Proposed Investment Strategy Statement (ISS)

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

7.00	GLOSSARY OF TERMS
7.01	A list of commonly used terms are as follows: (a) **CPF – Clwyd Pension Fund –** The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority or scheme manager –** Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (d) **Annualised –** Figures expressed as applying to 1 year. (e) **Duration –** The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (f) **Market Volatility –** The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. (g) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cashflows. (h) **Relative Return –** The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark. (i) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum.

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

Responsible Investment Policy within the Investment Strategy Statement

Regulatory Background

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

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

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

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

Responsible Investment Policy

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

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

Background

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

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

Investment Pooling

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

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

Stewardship and Engagement

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

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

Reporting and Disclosure

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

Responsible Investment Beliefs

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

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

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

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

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

Responsible Investment Principles

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

The Fund is a long-term investor, with pension promises for many years. As a result, it seeks to deliver long-term sustainable returns.

The Fund endeavours to integrate ESG considerations across all asset allocations.

The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.

The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.

The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.

The Fund recognises the significant financial risk of ***not*** being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.

The Fund recognises the importance of Social/Impact investments which can make a positive social and environmental impact whilst meeting its financial objectives, and it will continue to make dedicated investments to support this aim.

Climate Change

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

Climate change poses a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio.

Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund’s investments need to be sustainable to be in the best interests of all key stakeholders.

Engagement is critical to enabling the change required to address the Climate Emergency and to facilitate the move to a low carbon economy. However, selective risk-based disinvestments and exclusions can be appropriate.

As well as creating risk, climate change also presents opportunities to make dedicated investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

Net-Zero commitment

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

a) for the Fund as a whole:

to have at least 30% of the Fund’s assets allocated to sustainable investments by 2030.

to expand the measurement of the carbon emissions of the Fund’s investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.

b) within the Listed Equity portfolio:

to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030.

to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.

to engage with the biggest polluters within the Fund’s Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve:

by 2025, at least 70% of companies in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

by 2030, at least 90% of companies in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

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

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

Exclusions Policy

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

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

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

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

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

Strategic RI Priorities

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

Evaluate and manage carbon exposure

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

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

Identify sustainable investments opportunities

The Fund has for a number of years looked to make Social/Impact investments; whereby in addition to making the requisite financial return the investment has a positive social or environmental impact. The 2022 Investment Strategy Review has further supported this with the asset allocation to the Local/Impact portfolio being increased.

This portfolio has a strategic target weight of 6% of the Fund's assets.

The Fund has increased its strategic allocation to sustainable equities to 15% of total Fund assets following the latest strategy review, an increase of 10% from its previous allocation.

Improve public disclosure and reporting

The Fund recognises the importance of transparency and reporting with respect to ESG issues. The Fund continues to enhance its analysis, disclosure and reporting on its RI activities, including, voting and engagement and carbon emissions analysis.

The Fund has drafted its first Task Force on Climate-Related Financial Disclosures ("TCFD") report covering 12 months to 31 March 2022. The report was drafted in line with the recommendations from the TCFD and the proposals for LGPS on governance and reporting of climate change risks available at the time.

The Fund carries out Analytics for Climate Transition ("ACT") analysis (a Mercer analytical tool), which provides the Fund with a bottom up analysis of the portfolio's transition capacity. Analysis is carried out every 12 months, with the latest analysis carried out as at 31 March 2022.

Active Engagement on ESG risks

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

FRC Stewardship Code

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

Actuarial Valuation and review of Investment Strategy

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

Commitment

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

Approval, review and further information

Approval, Review and Consultation

This version of the Investment Strategy Statement was approved at the Clwyd Pension Fund Committee on 30 August 2023. It will be formally reviewed and updated at least every three years or sooner based on when it is considered appropriate to review the Fund's approach to investing the Fund's assets, including responsible investing.

Further Information

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

Debbie Fielder, Deputy Head of Clwyd Pension Fund, Flintshire County Council
E-mail – debbie.a.fielder@flintshire.gov.uk
Telephone - 01352 702259

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

Further information about the Wales Pension Partnership can be found on its website - https://www.walespensionpartnership.org/.

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion at each Committee, including updates on the CPF's governance strategy and policies. This update report includes developments since the previous report provided at the June 2023 Committee meeting. It includes matters that are for noting only, albeit comments are clearly welcome.

The report includes:

- progress against the governance section of the 2023/24 to 2025/26 Business Plan
- updates on the membership of the Pension Board
- current developments and news both at national level and any CPF-specific governance matters
- 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.

REPORT DETAILS

1.00	**GOVERNANCE RELATED MATTERS**
1.01	**Business Plan Update** The business plan update shows progress with the first two quarters' work for the governance tasks in the 2023/24 Business Plan. Good progress is being made with all actions although given national delays to the pensions dashboard, there is no update on dashboards in this report. In relation to the priorities in the governance section of the business plan, the key points to note are as follows: • *G1 – Committee and Board knowledge and skills:* The training needs analysis will be issued shortly to Committee members. Responses will be collated and reported at the next Committee meeting. • *G2 – Appointment of Local Pension Board and Pension Fund Committee Members:* Work is progressing to fill the vacant employer representative position on the Board. • *G3 – Review against TPR new General Code:* The Pension Regulator's new General Code has still not been laid but is expected to materialise before the end of the year. Essential training on the new code date will be provided in due course. • *G4 - Ongoing developments in business continuity arrangements including managing cyber risk:* Work is ongoing in relation to cyber security and final documentation relating to the Fund's strategy will be discussed with the Board at their next meeting. Work is also continuing in relation to Business Continuity. • *G5: Succession Planning and Ongoing Resource requirements:* The Pensions Administration Manager has considered the staffing structure of the Administration team, and an update and recommendations are included within item 14 of the Agenda. • *G6: Implement government changes relating to Scheme Advisory Board good governance review:* There has been no further progress from Government nor the Advisory Board on the good governance proposals. However, the recent pooling/investment consultation published by DLHUC contains a proposal for administering authorities to develop a training policy for pension committees which was one of the Good Governance recommendations. The consultation is covered in more detail in item 5 of the Agenda.
	Current Developments and News
1.02	*Pension Board meetings* There was a special Pension Board meeting on 18 August 2023 to discuss the governance of investment decision making. At the time of writing, the minutes are not yet available, but the Board has agreed the following feedback for the Committee. *The Board would like to recognise the efforts made by Officers and Advisers in supporting the Committee in its decision-making around*

	climate change and the Fund's Responsible Investment policy. Climate change is a very important and emotive topic, but it is also a complex and technical area. A huge amount of effort has gone into the provision of training and detailed information on the options for exclusions on climate grounds, and their implications for funding and investment as well as the practicalities of implementing an exclusionary policy in the context of the pooling environment. We believe this demonstrates exemplary governance and has enabled the Committee to make informed decisions. We understand that legal advice is being sought to ensure there can be no grounds for legal challenge from any stakeholder, which we believe is an important part of the process given that this is the first time the Fund has documented an exclusionary policy. We would also like to note that whilst the Board itself is not decision-making, we have found the training sessions and explanations provided by Officers, Advisers and Russell as WPP's investment manager, to be extremely helpful and informative and we are supportive of an investment approach which is Paris-aligned. *Whilst, we recognise there will always be different opinions on how to achieve the Fund's climate change objectives and, in particular, how quickly they should be achieved, our hope is that the Fund's position on climate change is now settled for the short-term at least, to ensure that Committee members (and Officers and Advisers) have the time to focus on other key areas of strategic importance in the management of the Fund. We do of course recognise that strategy evolves and that the decisions will be revisited again in future.* The Board is also supportive of the proposed amendments to the Investment Strategy Statement as developed by Officers and Advisers following the final training session and circulated to us on 17 August. We have one minor point of feedback which is to amend the wording in the first column in the table in the Exclusions Policy from [x%] to "The % of". Whilst this is a small change, we believe it will prevent readers thinking the x% is still to be agreed, when in fact it relates to the %s shown in the second and third columns (the minimum objective and the Fund's ambition). Minutes of the 18 August Board meeting will be provided at the next Committee meeting.
1.03	*LGPS Scheme Advisory Board (SAB) meetings* The LGPS SAB met on 17 July. At the time of writing, the meeting summary has not been published but the agenda and non-confidential papers are available here. The date of the next SAB meeting has not yet been published.
1.04	*Equality Diversity and Inclusion*

	The Pensions Regulator (TPR)'s survey of Pension Board members asking for their views on EDI closed on 4 August. The questions related to whether a diverse and inclusive Pension Board membership assists the Pension Board in their responsibilities, personal diversity/inclusion issues and what TPR should be doing in this area. TPR's Louise Davey also published a blog titled *How trustees can improve pension industry diversity in just 20 minutes* on 1 August.
1.05	*Economic Activity of Public Bodies (Overseas Matters) Bill* The Bill, which had its second reading in the House of Commons on 3 July, seeks to prevent LGPS administering authorities from making investment decisions influenced by "political and moral disapproval of foreign state conduct". There are exceptions proposed to ensure that funds can still comply with formal Government legal sanctions, embargoes, and restrictions. The LGA have produced a technical guide on the Bill which includes their views on pensions, as follows: • The LGPS is a well-funded and well-run scheme. There are very few Pensions Regulator or Pensions Ombudsman cases for a scheme of its size. • Administering authorities take their statutory and fiduciary duties around the investment of pension funds very seriously. • Investment decisions are taken in line with the fiduciary duty. Where an LGPS fund decides to divest from particular investments based on non-financial factors they follow the requirements that any financial impact on the fund should not be significant and the decision would likely be supported by scheme members. • The enforcement regime set out within the Bill plans to increase the Pension Regulator's existing remit in relation to the LGPS to include decisions relating to investments. It will be extremely important that TPR does not intentionally or unintentionally make determinations which are beyond the remit set out in the Bill. • LGA express concerns around the use of judicial review by "interested third parties" due to existing pressures on the court system and the lack of clarity around who or what may be deemed to be a sufficiently interested party. The Bill has now moved to Committee stage. SAB will be providing written evidence on the Bill to the Public Bill Committee, In addition, the Vice-Chair of the Board and LGA's Head of Pensions have been invited to give oral evidence to the Committee, which we assume will be based on LGA's comments within its technical guide as summarised above.
1.06	*Publication of the tenth Scheme Annual Report*

	On 26 June the SAB published the Scheme Annual Report which aggregates information supplied in the 86 fund annual reports, as at 31 March 2022.
1.07	*Gender Pensions Gap* Following GAD's next steps report on its Gender Pension Analysis for the SAB meeting of 22 June, the SAB has proposed that GAD put in place a common reporting framework for all public sector schemes and is setting up a small working group to consider next steps for the LGPS.
1.08	*Preparing the Annual Report Guidance* The Compliance and Reporting Committee's Annual Report working group has been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance and has identified several areas which require updating and clarification. One aim is clearer guidance on how to categorise the allocation of assets to make the process simpler for funds, and to improve consistency of reporting. Administrative KPIs are also being reviewed to allow for standardised reporting so that funds can properly benchmark themselves against others. The aim is for new guidance to be in place ready for the 2023/24 reporting period. It is also worth noting that amendments to fund reporting on asset allocation is one of the proposals in the recent pooling/investment consultation published by DLUHC.
1.09	**Policy and Strategy Implementation and Monitoring** *Knowledge and Skills Policy and Training Plan* Policy requirements The Clwyd Pension Fund Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to: • attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis • attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund; and • attend at least one day each year of general awareness training or events. Training Needs Analysis – As part of the CPF 2023/24 business plan, and in line with the requirements of the Knowledge and Skills Policy, a training needs analysis will be carried out to identify any gaps in knowledge of Committee and Board members. This will then drive the ongoing training plan. The training needs analysis will be issued to all Committee and Board members and results will be reported at the next meeting. Training undertaken - Appendix 2 sets out the training plan for CPF showing training undertaken. There were no recent non-essential training

events. Details of essential training sessions are set out in the tables below.

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2023/24 to date is included below:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Senior officers attending (Proportion of total)
Essential Training Sessions – Target attendance is 75%				
Governance of Pensions	April 23	7 (78%)	3 (60%)	4 (80%)
Tactical Asset Allocation and Responsible Investing	May 23	9 (100%)	3 (60%)	3 (60%)
Divestment Framework	Aug 23	8 (89%)	1 (25%)	3 (60%)
Total		**(89%)**	**(50%)**	**(67%)**

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. 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 Governance Administration Assistant:

- SAB Code of Transparency workshop on 12 September in Wolverhampton, 13 September in Leeds and 26 September in Cardiff.
- LGA Fundamentals training – run over three days, this is particularly useful for new and nearly new members of Committee or Board (agenda attached in Appendix 4). Dates/venues are as follows:

  Day 1

  5 October Manchester Piccadilly Hotel
  12 October Westminster LGA Offices

  19/26 October Online

  Day 2

  2 November Westminster LGA Offices
  8 November Manchester Piccadilly Hotel
  16/23 November Online

  Day 3

  5 December Westminster LGA Offices
  13 December Manchester Piccadilly Hotel
  11/19 December Online

- LGA LGPS Governance conference on 18/19 January 2024 in York

1.10 *Recording and Reporting Breaches Procedure*

	The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 3 details the current breaches that have been identified. There were three new breaches relating to late contributions or remittance advice for two employers (both community councils). This has been resolved for one employer and the Chair of the council is being contacted in relation to the two unresolved breaches for the second employer. There are no new administration breaches.
1.11	**Delegated Responsibilities** The Pension Fund Committee have 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.
1.12	**Calendar of Future Events** • Appendix 4 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.

2.00	**RESOURCE IMPLICATIONS**
2.01	National developments do have an impact on workloads within the in-house CPF Team. Vacancies within the investment and accounting section have now been filled which should alleviate some of the resource constraints although there are ongoing training requirements. Work has been ongoing in relation to the Administration Team and proposals for amending the structure and increasing permanent resources are included elsewhere on the Committee agenda.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 5 provides the risk 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.
4.02	The key changes relate to: Risk number 2 - Governance (particularly at PFC) is poor including due to: short appointments, poor knowledge and advice, poor engagement /preparation / commitment & poor oversight, meaning inappropriate or no decisions are made. The Current likelihood of this risk has been reduced to Very Low reflecting the number of training sessions completed recently and ongoing engagement of the Committee.

	Risk number 6 (Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile / FCC pay grades versus other LAs, asset pools, private sector / cost of living), meaning services are not being delivered to meet legal and policy objectives) is still the risk furthest from target, although good progress is being made against the actions required to bring this risk back in line with target. These largely relate to the administration structure review and associated proposals in Item 14 of the Agenda.

5.00	**APPENDICES**
5.01	Appendix 1 – Business Plan progress 2023/24 Appendix 2 - Training plan Appendix 3 - Breaches log Appendix 4 - Calendar of future events Appendix 5 - Risk Register

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	Report to Pension Fund Committee - 2023/24 Business Plan (March 2023) Full hyperlinks for referred to information: • 1.03 - LGPS Scheme Advisory Board meetings - https://lgpsboard.org/index.php/board-meetings • 1.04 – TPR blog on EDI – https://blog.thepensionsregulator.gov.uk/2023/08/01/how-trustees-can-improve-pension-industry-diversity-in-just-20-minutes/ • 1.05 – Tenth Scheme Annual Report - https://lgpsboard.org/index.php/scheme-annual-report-2022 • 1.06 – GAD's Next Steps Gender Pensions Gap Report - https://lgpsboard.org/images/GADReports/LGPSGenderPensionsGapNextStepsReport22062023.pdf • 1.08 – Investments in the LGPS in England & Wales - https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Committee or PFC – Clwyd Pension Fund Committee -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (d) **Board, LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund. (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of. (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC. (g) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation. (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement. (i) **CIPFA – Chartered Institute of Public Finance and Accountancy -** a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management. (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.

	(k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement. **(l) HMT – His Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made.

Business Plan 2023/24 to 2025/26 – Q1 & Q2 Update
Governance

Cashflow projections

	2021/22 £000s	2022/23 £000s	2023/24 £000s			
	Actual	**Actual**	**Budget**	**Actual**	**Projected for full year**	**Final under/ over**
Opening Cash	(37,078)	(79,645)	(96,470)	(98,282)		
Payments						
Pensions	66,794	70,660	76,800	19,369	77,476	676
Lump Sums & Death Grants	17,158	17,183	16,000	3,813	16,000	0
Transfers Out	4,459	5,974	6,000	1,190	6,000	0
Expenses	5,047	6,128	5,900	1,667	5,900	0
Tax Paid	73	111	100	0	100	0
Support Services	173	131	135	0	135	0
Total Payments	93,704	100,187	104,935	26,039	105,611	676
Income						
Employer Contributions	(49,897)	(56,977)	(60,000)	(15,285)	(61,140)	(1,140)
Employee Contributions	(17,530)	(20,070)	(20,200)	(4,984)	(19,936)	264
Employer Deficit Payments	(14,383)	(14,889)	9,200	2,230	9,200	0
Transfers In	(6,957)	(6,245)	(6,000)	(1,774)	(6,000)	0
Pension Strain	(1,482)	(670)	(1,200)	(79)	(600)	600
Income	(13)	(479)	(200)	(288)	(500)	(300)
Total Income	(90,262)	(99,330)	(78,400)	(20,180)	(78,976)	(576)
Cashflow Net of Investment Income	3,442	857	26,535	5,859	26,635	100
Investment Income	(11,635)	(12,130)	(12,000)	(2,426)	(12,000)	0
Investment Expenses	6,162	6,999	6,000	3,630	6,000	0
Total Net of In House Investments	(2,031)	(4,274)	20,535	7,063	20,635	100
In House Investments						
Draw downs	66,941	82,865	131,210	28,551	131,210	0
Distributions	(117,117)	(91,626)	(82,502)	(11,523)	(82,502)	0
Net Expenditure /(Income)	(50,176)	(8,761)	48,708	17,028	48,708	0
Total Net Cash Flow	(52,207)	(13,035)	69,243	24,091	69,343	100
Rebalancing Portfolio	9,640	(5,602)		63,323	15,323	15,323
Total Cash Flow	(42,567)	(18,637)	69,243	87,414	84,666	
Closing Cash	(79,645)	(98,282)	(27,227)	(10,868)	(13,616)	

Operating Costs

	2021/22	2022/23	2023/24			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/ over
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	299	281	413	**73**	**413**	(0)
Support & Services Costs (Internal Recharges)	23	18	17	**0**	**17**	0
Other Supplies & Services)	65	64	95	**(3)**	**95**	0
Audit Fees	41	47	45	**(17)**	**45**	0
Actuarial Fees	493	926	722	**95**	**722**	0
Consultant Fees	1,065	1,548	1,087	**220**	**1,087**	(0)
Advisor Fees	532	586	598	**35**	**598**	(0)
Legal Fees	113	74	30	**21**	**30**	0
Pension Board	101	96	111	**5**	**111**	0
Pooling (Consultants & Host Authority)	144	163	215	**0**	**215**	(0)
Total Governance Expenses	2,876	3,803	3,333	**429**	**3,333**	(0)
Investment Management Expenses						
Fund Manager Fees*	19,490	21,298	19,755	**3,627**	**19,755**	(0)
Custody Fees	106	158	192	**3**	**192**	0
Performance Monitoring Fees	53	46	46	**7**	**46**	0
Pooling (Operator / Manager)	998	930	885	**0**	**885**	(0)
Total Investment Management Expenses	20,647	22,432	20,878	**3,637**	**20,878**	(0)
Administration Expenses						
Employee Costs (Direct)	1,242	1,392	1636	**358**	**1,636**	(0)
Support & Services Costs (Internal Recharges)	150	114	114	**0**	**114**	0
Outsourcing	41	0	0	**0**	**0**	0
IT (Support & Services)	488	516	718	**457**	**718**	0
Other Supplies & Services)	103	125	146	**9**	**146**	0
Total Administration Expenses	2,024	2,147	2,614	**824**	**2,614**	(0)
Employer Liaison Team						
Employee Costs (Direct)	218	320	396	**95**	**396**	0
Total Costs	**25,765**	**28,702**	**27,221**	**4,985**	**27,221**	**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	2023/24 Period				Later Years	
		Q1	Q2	Q3	Q4	2024/25	2025/26
G1	Committee and Board knowledge and skills	x	x				
G2	Appointments of Local Pension Board and Pension Fund Committee Members	x	x			x	x
G3	Review against TPR new General Code	x	x	x	xM	xM	
G4	Ongoing developments in business continuity arrangements including managing cyber risk	x	x	x			
G5	Succession planning and ongoing resource requirements	x	x	x	x		
G6	Implement government changes relating to Scheme Advisory Board good governance review		x	x	x	xM	
G7	Review of governance related policies			x	x	x	x

Governance Task Descriptions

G1: Committee and Board Knowledge and Skills

What is it?

The Fund has put into place a Knowledge and Skills Policy which covers members of the Pension Fund Committee, members of the Pension Board and Senior Officers. The ultimate aim of this policy is to ensure that those responsible for the management, delivery and governance and decision making in the Clwyd Pension Fund have the appropriate levels of knowledge and skills.

Induction training is completed by all new members at the beginning of their role, with the most recent round of induction training taking place over the summer and autumn of 2022 for new members of the Pension Fund Committee.

A key element of delivering the Knowledge and Skills Policy objectives is ensuring that the level of knowledge and skills is monitored, and gaps in knowledge or skills are determined. We will do this in a number of ways:

- We will carry out a training needs analysis for the members of the Pension Fund Committee and Pension Board customised appropriately to the key areas in which they should be proficient (including the CIPFA competencies). This or an alternative questionnaire will also include questions relating to relevant skills.
- We will regularly ask Pension Fund Committee members and Pension Board members to highlight training needs.
- We will monitor attendance at training and events to ensure any lack of attendance is followed-up.

The output from these will be key in updating the Clwyd Pension Fund Training Plan.

Now that the induction training for the new members of the Pension Fund Committee is complete, a training needs analysis will be carried out and the Fund's training plan will be adapted accordingly.

Timescales and Stages

Conduct a training needs analysis for Pension Fund Committee members, Pension Board members and for Senior Officers	2023/24 Q1
Consider the training plan and schedule key sessions where gaps in knowledge are highlighted	2023/24 Q1 to Q2

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund and the Independent Adviser. Estimated costs are included in the budget.

G2: 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:

- Two scheme employer representatives – July 2023 (three-year point)
- Scheme member representative (trade union) – October 2025 (three-year point)
- Scheme member representative (non-trade union) – February 2025 (five-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 this 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

Review Pension Board representatives (two scheme employer representatives) – already commenced	2023/24 Q1 to Q2
Review Pension Board representatives (two scheme member representatives)	2024/25 to 2025/26

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.

G3: Review against TPR new General Code

What is it?

The Pensions Regulator (TPR) is expected to introduce a new code of practice (to be called the "General Code") in 2023 with expectations that this will be laid in Parliament in April and come into force shortly after. The first iteration of the new General 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 is expected to result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Once the code has been laid before parliament, work will be undertaken to review whether the Fund complies with the requirements within the new General Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Timescales and Stages

Start reporting the Fund's compliance and activity against the new General Code from TPR	2023/24 Q1 to Q3

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: Ongoing developments in business continuity arrangements including managing cyber risk

What is it?

The Fund has been carrying out a fundamental review of their business continuity arrangements, which has included developing their cyber resilience given that cybercrime is a key risk to the Fund. Whilst the focus of the last few years has been developing new or enhanced ongoing internal controls, as this development is largely complete, the key focus for the next few years will be ensuring this has become embedded within the Fund's business as usual activities. In order to ensure that this can become business as usual there are some key areas where further work is required including:

- developing a Fund specific cybercrime incident response plan in partnership with FCC.
- documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.
- creating a testing schedule (covering both general business incidents as well as cyber-attacks).

Timescales and Stages

Produce a cyber incident response plan	2023/24 Q1 to Q2
Develop Testing Schedule	2023/24 Q2 to Q3
Finalise schedule of cybercrime resilience testing for suppliers: already commenced	2023/24 Q1
Document key processes (where not already documented): already commenced	2023/24 Q1 to Q2
Identify ongoing officer training needs and produce a training schedule: subject to recruitment: already commenced	2023/24 Q1 to Q2

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.

G5: Succession Planning and Ongoing Resource requirements

What is it?

The Fund is aware of a number of senior members of staff who are approaching retirement age or have plans to retire over the next two to five years. In order for the Fund to continue to offer the current levels of service and meet their statutory requirements, it is important that suitable succession plans are in place to ensure these roles can be filled with individuals who have the appropriate level of expertise and skills.

Further, there has been and continues to be quite significant increases in the Fund's work, mainly due to national changes such as McCloud, National Pensions Dashboard, back–dated pay awards and TCFD. Some of the increases in workloads are temporary, but in many there are longer term implications. In addition, there appears to be an increase in the amount of administration case work in certain areas, such as the number of deferred members deciding to take payment of their benefits. This is being investigated further to try to forecast likely future case workloads.

In the short term, officers have increased the establishment with temporary members of staff with contracts that are due to cease in March 2024, and the temporary resource needs will continue to be monitored.

Longer term, work is being carried out to consider the resource requirements and whether any changes should be made to the team structure. This may include creating a project team within the Administration Team as a potential solution to assist with peaks in workload whilst also ensuring that external factors and ad-hoc projects do not impact on business as usual. In the meantime, it is proposed that a new temporary position of Principal Pensions Officer – Projects is created to assist in managing projects until the new team structure is determined.

This will also prepare the Fund to put in place the Workforce Policy that is to be introduced as part of the government's response to the Good Governance review (see next point).

Timescales and Stages

Consider the roles that are most at risk and ensure succession planning is in place: already commenced	2023/24 Q1 to Q2
Forecast future levels of work and consider if any further recruitment is required: already commenced	2023/24 Q1 to Q2
Develop proposed changes to resources and team structure	2023/24 Q3 to Q4

Resource and Budget Implications

To be led by the Pensions Administration Manager and Deputy Head of Clwyd Pension Fund in relation to their respective teams, with input from the Head of Clwyd Pension Fund and the Independent Adviser. All expected costs are included within the existing budgets including provision for a temporary Principal Pensions Officer – Projects until 31 March 2024.

G6: Implement government changes relating to outcome of Scheme Advisory Board good governance review

What is it?

The national LGPS Scheme Advisory Board (SAB) carried out a project which considered the structure of LGPS pension funds and their relation to the Host Authority. This review then evolved to focus on the elements of good governance aiming to ensure those responsible for managing funds met best practice. A number of recommendations were made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority.

In 2021 the SAB made a number of formal recommendations to DLUHC, including the request for DLUHC to issue statutory guidance relating to the areas of best practice identified by the project. SAB may also issue guidance in due course. The DLUHC consultation on draft regulations and statutory guidance has been delayed due to other national priorities. It is currently expected that this will be issued during 2023/24. DLUHC has announced that it also intends to require funds to put in place a Workforce Policy as part of the requirements.

Timescales and Stages

Respond to DLUHC consultation	2023/24 Q2 to Q3 (estimated)
Expected period to review existing arrangements against new statutory guidance and/or guidance	2023/24 Q4 and 2024/25 (estimated)

Resource and Budget Implications

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

G7: Review of Governance Related Policies

What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies that is due for review in 2023/24 are Risk Policy and Business Continuity Policy.

Timescales and Stages

Policy	Last reviewed	Next review due	Timescales for review work
Risk Policy	October 2020	October 2023	2023/24 Q3
Business Continuity Policy	March 2021	March 2024	2023/24 Q4
Conflicts of Interest Policy	September 2021	September 2024	2024/25
Knowledge and Skills Policy	September 2021	September 2024	2024/25
Procedure for Recording and Reporting Breaches of the Law	March 2022	March 2025	2024/25
Cyber Strategy	March 2022	March 2025	2024/25
Governance Policy and Compliance Statement	November 2022	November 2025	2025/26
Fraud Policy	March 2023 (expected)	March 2026	2025/26

Resource and Budget Implications

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

Training Plan as at 9 August 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	LGC Investments and Pensions Summit	Covering the critical issues and challenges facing the LGPS, including various investment matters, sustainability, cashflows, diversity and inclusion	07 Sep 2023	12		2 day event, Leeds
External	Desirable	WPP Q3 - RI	within the WPP sub funds	21 Sep 2023	TBC		
External	Desirable	LGA Fundamentals Training programme 2023 - Day 1	The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.	05 Oct 2023	6		Various sessions across UK with various dates Taking place over three days with options to attend online and in person
External	Desirable	PLSA Annual Conference	0	17 Oct 2023	TBC		Manchester, 17th-19th
External	Desirable	LGA Fundamentals Training programme 2023 - Day 2	The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.	02 Nov 2023	6		Various sessions across UK with various dates Taking place over three days with options to attend online and in person
External	Desirable	PLSA Local Authority Forum	0	09 Nov 2023	TBC		
External	Desirable	LGA Fundamentals Training programme 2023 - Day 3	The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.	05 Dec 2023	6		Various sessions across UK with various dates Taking place over three days with options to attend online and in person
External	Desirable	LGPS Governance conference	Governance conference (York)	18 Jan 2024	6		Lunchtime 18th to lunchtime 19th. In person or virtual
Internal	Essential	TPR General Code	Includes the role and powers of The Pensions Regulator, as well as the Code requirements	TBC	TBC	Committee members, Board members	Summer 2023
External	Desirable	WPP - Pooling Guidance	An overview of the updated pooling guidance	TBC	TBC		Q4

Training Plan as at 9 August 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	WPP - LGPS pools & Collaboration Opportunities	An update on the Progress of other LGPS pools & Collaboration Opportunities	TBC	TBC		Q4
External	Desirable	WPP - Voting & Engagement	An overview of the WPP Voting and engagement	TBC	TBC		Q3
External	Desirable	WPP - Reporting Performance reporting	Performance reporting	TBC	TBC		Q2
External	Desirable	WPP - Reporting	TCFD Reporting	TBC	TBC		Q2
Internal	Essential	Investment Considerations - TNFD	An overview of the Taskforce on Nature-related Financial Disclosures (TNFD) including opportunities for investments	TBC	TBC	Committee members, Board members, Senior Officers	
Internal	Essential	Investment Considerations - various	To include the expected new Pooling Guidance, levelling up and any other investment related developments.	TBC	TBC	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	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	Governance considerations - Myners Principles	To include reviewing the effectiveness of the Pension Fund Committee	TBC	0.5	Committee members, Board members, Senior Officers	

Previous Events

Training Plan as at 9 August 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
Internal	Essential	CPF Divestment Framework	Understanding proposed changes to CPF's Responsible Investment Policy, including divestments	02 Aug 2023	5.5	Committee members, Board members, Senior Officers, Officers	
External	Desirable	Scheme Advisory Board - the Board's Code of Transparency (CoT)	An explanation of the purpose and background of the Board's Code of Transparency	11 Jul 2023	1.5		Various sessions across UK with various dates
External	Desirable	Scheme Advisory Board - the Board's Code of Transparency (CoT) (Officers)	An explanation of the purpose and background of the Board's Code of Transparency	11 Jul 2023	3		Various sessions across UK with various dates
External	Desirable	PLSA Local Authority Conference	Includes investment outlook, operational sustainability, communications, ESG, pension dashboards and levelling up.	26 Jun 2023	21		3 day event. 26-28 June, De Vere Cotswolds Water Park Hotel
External	Desirable	WPP - Private markets and levelling up/development opportunites	Product knowledge (private markets)	08 Jun 2023	2.5		
External	Desirable	LGA Employer role training	0	01 Jun 2023	6		Various sessions across UK with various dates
External	Essential	CIPFA - Annual Local Pensions Board Conference	Pension Board Event - CIPFA's Annual Local Pensions Board Conference	18 May 2023	6	Board members	Held at KPMG Birmingham
External	Essential	CPF Tactical Asset Allocation and Responsible Investment	Best Ideas tactical asset allocation portfolio	03 May 2023	4	Committee members, Board members	
Internal	Essential	CPF Training on Governance of Investments	Governance of Investments	26 Apr 2023	3	Committee members, Board members, Senior Officers	10am to 12.30pm - Clwyd Committee Room, Flintshire County Council, Mold
External	Essential	Pension Fund Cyber Security	Pension Fund Cyber Security Induction Training	28 Oct 2022	1.5	Committee members (Induction), Board members (induction)	
External	Essential	Actuarial/Funding, Accounting, Audit & Procurement	Actuarial/Funding, Accounting, Audit & Procurement Induction Training	28 Sep 2022	1.5	Committee members (Induction), Board members (induction)	
External	Essential	Investments & Flightpath training	Investments Induction Training	20 Jul 2022	1.5	Committee members (Induction), Board members (induction)	

Mae'r dudalen hon yn wag yn bwrpasol

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	Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled. Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays. 31/10/2022 Staff member doing this process had internal secondment, so vacancy now needs to be filled, and then trained. 10/3/2023 New staff member is now being trained so will continue to have impact until fully up to speed.		
Category affected	Active members		
Numbers affected	2017/18: 2676 cases completed / 76% (2046) were in breach. 2018/19: 3855 cases completed / 66% (2551) were in breach. 2019/20: 3363 cases completed / 50% (1697) were in breach. 2020/21: 3940 cases completed / 39% (1544) were in breach 2021/22; 4072 cases completed / 15 % (626) were in breach 2022/23 -Q1 - 947 cases completed / 5% (50) were in breach -Q2 - 968 cases completed / 12% (112) were in breach -Q3 - 1437 cases completed / 20% (286) were in breach -Q4 - 947 cases completed / 15% (140) were in breach 2023/24 -Q1 - 713 cases completed / 12% (86) were in breach		
Possible effect and wider implications	- Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation.		
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. Actions prior to 2022 not shown, but recorded on the breaches log. 14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area. 22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 12/08/2022 - Number of breaches fallen as expected due to completion of training. Recent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again. 31/10/2022 - Number of breaches has increased this quarter. Staff vacancies have been advertised, shortlisting and interviews planned in the coming weeks. Prioritising workloads will be key so the number of cases in breach do not continue to rise. 03/03/2023 - Vacant positions filled and training underway. 24/05/2023 - Training continues and staff members attained a KPI presentation to fully understand implications if timescales not met. 16/08/2023 - Internal staff movement has had a short term impact on this KPI. Expecting reductions in next quarter results as staff members become more efficient		
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required. Continually review resource requirements to meet KPI.		
Assessment of breach and brief summary of rationale	16/8/2023 - Number of cases completed has dropped slightly with the number in breach reflecting this. Assessment will remain Amber until further improvements are made.		
Reported to tPR	No		

Ref	A2	**Date entered in register**	19/09/2017

Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late transfer in estimate	**Owner**	SB
Party which caused the breach	CPF + various previous schemes		
Description and cause of breach	Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request. Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019. 31/10/2022 New regulatory requirements have resulted in additional steps having to be taken, which makes process longer and more complex.		
Category affected	Active members		
Numbers affected	2017/18: 235 cases completed / 36% (85) were in breach. 2018/19:213 cases completed / 45% (95) were in breach. 2019/20: 224 cases completed / 32% (71) were in breach 2020/21: 224 cases completed / 25% (57) were in breach 2021/22: 309 cases completed / 28% (87) were in breach 2022/23 -Q1 - 98 cases completed / 9% (9) were in breach -Q2 - 104 cases completed / 19% (20) were in breach -Q3 - 66 cases completed / 12% (8) were in breach -Q4 - 118 cases completed / 17% (20) were in breach 2023/24 -Q1 - 31 cases completed / 55% (17) were in breach		
Possible effect and wider implications	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.		
Actions taken to rectify breach	17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively. 31/10/2022 - A review of this process is being undertaken as additional steps are now required. 03/03/2023 - Process has been reviewed and improvements expected in the next quarter results. 24/05/2023 - Completed training for required staff members 16/08/2023 - Transfers have been on hold whilst awaiting GAD guidance and relevant factors for calculation. Guidance has now been received and staff are working through backlog.		
Outstanding actions (if any)			
Assessment of breach and brief summary of rationale	16/08/2023 - Number in breach is high due to hold on transfers. As this is temporary, assessment of breach will remain Amber.		
Reported to tPR	No		

Ref	A4	**Date entered in register**	19/09/2017
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late notification of retirement benefits	**Owner**	SB
Party which caused the breach	CPF + various employers + AVC providers		

Description and cause of breach	Requirement to provide notification of amount of retirement benefits within 1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age. Due to a combination of: - late notification by employer of leaver information - late completion of calculation by CPF - for members who have AVC funds, delays in receipt of AVC fund values from AVC provider. - temporary large increases in work due to retrospective pay award recalculations 31/10/2022 Also seeing general increase in number of retirements.
Category affected	Active members mainly but potentially some deferred members
Numbers affected	2017/18: 960 cases completed / 39% (375) were in breach. 2018/19: 1343 cases completed / 30% (400) were in breach 2019/20: 1330 cases completed / 25% (326) were in breach 2020/21: 1127 cases completed / 24% (269) were in breach 2021/22; 1534 cases completed / 14% (222) were in breach 2022/23 -Q1 - 413 cases completed / 19% (81) were in breach -Q2 - 442 cases completed / 18% (81) were in breach -Q3 - 419 cases completed / 14% (58) were in breach -Q4 - 358 cases completed / 18% (66) were in breach 2023/24 -Q1- 370 cases completed / 12% (43) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from members/employers. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). - Set up of ELT to monitor and provide leaver details in a more timely manner. - Prioritising of task allocation. - Set up of new process with one AVC provider to access AVC fund information. - Increased staff resources. Actions prior to 2022 not shown, but recorded on the breaches log. 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. 31/10/2022 - Recalculation of benefits still impacting this area with additional recalculations due in relation to retrospective 2022 pay award. Vacancies advertised and shortlisting and interviews planned in the coming weeks. Assessment of workload and staffing in this area is underway to determine appropriate staffing levels for the continued increase in number of cases. 03/03/2023 - New staff have been appointed but will not be fully trained for a number of months. 24/05/2023- Training of new staff continues. New project team is being established to remove non KPI/ad hoc pressures from Operations which impacts on workload. Improvements will be made over a period of months. 16/08/2023 - Recruitment campaign underway to fill vacant positions within operations team following internal promotion. Further improvements expected once positions filled and new staff members trained. Workload reviewed and new structure being proposed at August Pension Committee for approval. If approved, additional resource will assist with reducing number of cases in breach.
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required. Complete all recalculations so all appropriate staff can focus on retirements. 10/3/2023 - Training of new staff to be able to carry out retirements. 24/05/2023 - Transfer non KPI/ad hoc cases of work to project team.
Assessment of breach and brief summary of rationale	16/08/2023 - Number in breach remains too high for assessment to change. Improvements expected over coming months if recruitment campaign successful.
Reported to tPR	No

Ref	A6		**Date entered in register**		20/09/2017
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		Late notification of death benefits		**Owner**	SB
Party which caused the breach		CPF			

Description and cause of breach	Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative). Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task. 31/10/2022 More staff now trained on deaths but they are impacted due to increases in other workloads.
Category affected	Dependant members + other contacts of deceased (which could be active, deferred, pensioner or dependant).
Numbers affected	2017/18: 153 cases completed / 58% (88) were in breach. 2018/19:184 cases completed / 30% (56) were in breach 2019/20: 165 cases completed / 28% (53) were in breach 2020/21: 195 cases completed / 27% (53) were in breach 2021/22: 207 cases completed / 13% (26) were in breach 2022/23 -Q1- 59 cases completed / 17% (10) were in breach -Q2 - 37 cases completed / 22% (8) were in breach -Q3 - 51 cases completed / 39% (20) were in breach -Q4 - 43 cases completed / 28% (12) were in breach 2023/24 -Q1- 43 cases completed / 28% (12) were in breach
Possible effect and wider implications	- Late payment of benefits which may miss payroll deadlines and result in interest due on lump sums/pensions (additional cost to CPF). - Potential complaints from beneficiaries, particular given sensitivity of cases. - Potential for there to be an impact on CPF reputation.
Actions taken to rectify breach	- Further training of team - Review of process to improve outcome - Recruitment of additional, more experienced staff. 3/6/19 - Review of staff resources now complete and new posts filled. 3/2/20 - Training of additional staff now complete. 18/8/21 - Further work completed identifying where the delay fell e.g. request or receipt of information to facilitate the calculation of benefits, and action taken to improve these issues. 31/10/2022 - Due to pressures of other processes and vacancies within the team, key staff responsible for this process are stretched. Vacancies advertised, shortlisting and interviews planned within coming weeks. 03/03/2023 - Vacant positions have now been filled and training is underway. 16/08/2023 - Training nearing completion, improvemnets expected in coming months.
Outstanding actions (if any)	10/3/23 Ensure all training continues as quickly as possible to free up people to refocus on death cases.
Assessment of breach and brief summary of rationale	16/08/2023 - Number completed and in breach has remained consistant. Assessmnet to remain as Amber until improvements made.
Reported to tPR	No

Ref	A22		**Date entered in register**		21/05/2021
Status	Closed		**Date breached closed (if relevant)**		24/05/2023
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			- 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	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 14/10/2021 - Letter to 5 outstanding employees requesting confirmation of next steps issued with close date of 31/10/21. 14/2/2022 - Employer being chased by CPF. 22/05/2022 - CPF continuing to work with employer to resolve individual cases once employee responds with preferred action. Three outstanding cases remain. 12/08/2022 - As above, two outstanding cases remain. 31/10/2022 - All employees have now responded. Breakdown of contributions received by employer and member records to be amended. 10/3/2023 - All CPF member records have now been updated. 24/5/2023 Contributions now confirmed as to be paid imminently and therefore breach is closed."
Outstanding actions (if any)	
Assessment of breach and brief summary of rationale	24/05/2023 - Agreed with employer for outstanding contributions to be paid with next remittance. Breach to be closed.
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	Aura			
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	- 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. 31/10/2022 - One member has now paid the difference in contributions and eight remaining are still due. Employer contributions to be paid in November. 10/3/2023 - Employer contributions were paid in November for the one member. For eight remaining members, Aura has written to them and has sent reminders to them but responses are still awaited. 24/5/2023 Remaining employer contributions now paid. Emailed to instruct Aura to settle member contributions either themselves or FCC, if not reimbursed by members. 16/08/2023 - meeting held with Aura to progress this. Further meeting planned in the coming weeks.			
Outstanding actions (if any)	03/03/2023 - Once responses have been received from the final eight members, outstanding contributions are to be paid by both employer and employee and member records can be updated (if applicable). CPF to liaise with Aura to conclude this matter by paying the correct contributions to the Fund.			
Assessment of breach and brief summary of rationale	16/08/2023 - Assessment unchanged and breach to remain open until outstanding member contributions for deferred members received.			
Reported to tPR	No			

Ref	A25		**Date entered in register**		12/08/2022
Status	Closed		**Date breached closed (if relevant)**		24/05/2023
Title of Breach	Members entered into LGPS in error			**Owner**	KW
Party which caused the breach			North Wales Fire		
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. 10/3/2023 - All employees have now been notified and CPF records have been updated. Contributions have been returned from CPF to North Wales Fire. Two of three transfers that were paid out have been returned and sent to NWF. All transfers have now been completed and all records have been updated appropriately. Breach can be closed.		
Outstanding actions (if any)					
Assessment of breach and brief			24/05/2023 - All records now correct. Breach can be closed.		
Reported to tPR			No		

Ref	F107		**Date entered in register**		01 Jun 2023
Status	Closed		**Date breached closed (if relevant)**		23 Jun 2023
Title of Breach	No submission of contribution remittance advice			**Owner**	DF
Party which caused the breach			Cartref Dyffryn Ceiriog		
Description and cause of breach			A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to April 2023 was not received within the deadline. Previous breach F98.		
Category affected			Active members and employer		
Numbers affected					
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			23/05/2023 - Emailed to request.		
Outstanding actions (if any)					
Assessment of breach and brief			Remittance received 23/06/2023		
Reported to tPR			No		

Ref	F108		**Date entered in register**		01 Jun 2023
Status	Closed		**Date breached closed (if relevant)**		27 Jul 2023
Title of Breach	No submission of contribution remittance advice			**Owner**	DF
Party which caused the breach			Gwernymynydd Community Council		
Description and cause of breach			A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to April 2023 was not received within the deadline. No previous breaches.		
Category affected			Active members and employer		
Numbers affected					
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			01/06/2023 - Emailed to request. Received notification that a new signature mandate being set up and awaiting remittance from payroll.		
Outstanding actions (if any)					
Assessment of breach and brief			Remittance received 27/07/2023		
Reported to tPR			No		

Ref	F109		**Date entered in register**		01 Jun 2023
Status	Closed		**Date breached closed (if relevant)**		12 Jun 2023
Title of Breach		Late payment of contributions		**Owner**	DF
Party which caused the breach			Gwernymynydd Community 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 2023 were not received within the deadline. No previous breaches.		
Category affected			Active members and employer		
Numbers affected					
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			01/06/2023 - Emailed to request.		
Outstanding actions (if any)					
Assessment of breach and brief			Payment received 12/06/2023		
Reported to tPR			No		

Ref	F110		**Date entered in register**		01 Jun 2023
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Marchwiel Community Council		
Description and cause of breach			A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to April 2023 was not received within the deadline. Multiple previous breaches, however only one within the last two years, F73.		
Category affected			Active members and employer		
Numbers affected					
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			23/05/2023 - Emailed to request.		
Outstanding actions (if any)					
Assessment of breach and brief			Amber - Unresolved missing remittances for April, May, June 2023		
Reported to tPR					

Ref	F111		**Date entered in register**		23 Jun 2023
Status	Closed		**Date breached closed (if relevant)**		27 Jul 2023
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Gwernymynydd Community Council		
Description and cause of breach			A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to April 2023 was not received within the deadline. Previous breach F108.		
Category affected			Active members and employer		
Numbers affected					
Possible effect and wider			Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach			23/06/2023 - Emailed to request.		
Outstanding actions (if any)					
Assessment of breach and brief			Remittance received 27/07/2023		
Reported to tPR					

Ref	F112		**Date entered in register**		23 Jun 2023
Status	Open		**Date breached closed (if relevant)**		
Title of Breach		No submission of contribution remittance advice		**Owner**	DF
Party which caused the breach			Marchwiel Community Council		

Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to May 2023 was not received within the deadline. Previous breach in 2023/24 is F110.
Category affected	Active members and employer
Numbers affected	
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	23/06/2023 - Emailed to request. Chair of Council contacted for resolution.
Outstanding actions (if any)	
Assessment of breach and brief	Amber - Unresolved missing remittances for April, May, June 2023
Reported to tPR	

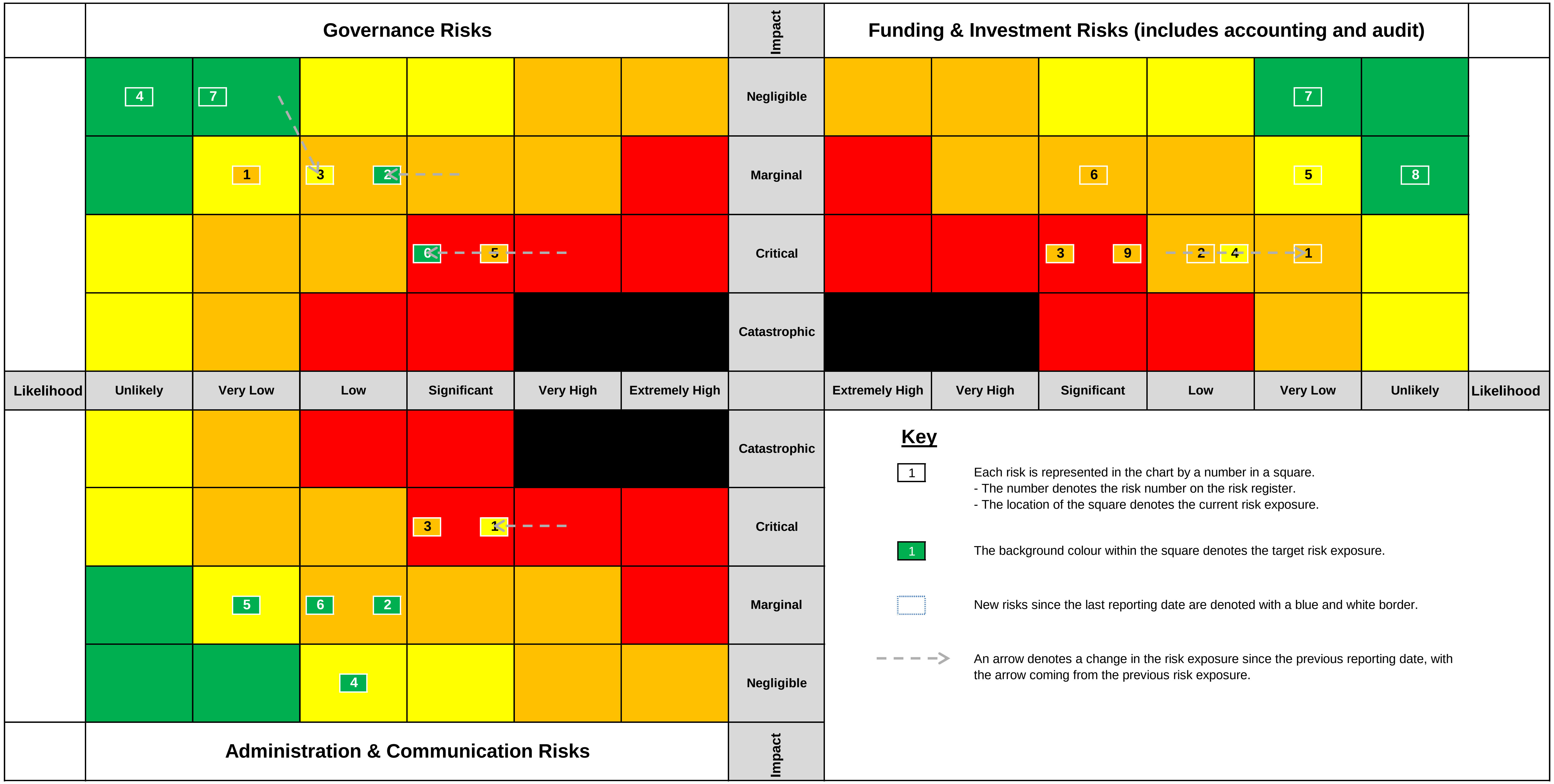
Ref	F113	**Date entered in register**	01 Aug 2023
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	No submission of contribution remittance advice	**Owner**	DF

Party which caused the breach	Marchwiel Community Council
Description and cause of breach	A remittance advice detailing information in relation to contribution payments should be submitted to CPF at the same point as the payment is made. The remittance advice relating to June 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112
Category affected	Active members and employer
Numbers affected	
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	01/08/2023 - Emailed to request
Outstanding actions (if any)	
Assessment of breach and brief	Amber - Unresolved missing remittances for April, May, June 2023
Reported to tPR	

Month	Date	Day	Committee	Pension Board	Other Events	Location
2023						
Aug						
	18-Aug	Fri		PB (mini) 10am-11.30pm		Virtual
	TBC	TBC			McCloud Steering Group	Virtual
	30-Aug	Wed	PFC 9.30am - 12.30pm			Hybrid, County Hall
Sept						
	05-Sep	Tues		PB 10am-3pm		Hybrid, County Hall
	20-Sep	Wed			WPP JGC	RCT/Hybrid
Oct						
Nov						
	29-Nov	Wed	PFC 9.30am - 12.30pm			TBC
Dec						
	06-Dec	Tues		PB 10am-3pm		Face-to-face County Hall
	07-Dec	Wed			AJCM	Face-to-face County Hall
2024						
Jan						
Feb						
	28-Feb	Wed	PFC 9.30am - 12.30pm			TBC
Mar						
	20-Mar	Wed	PFC 9.30am - 12.30pm			TBC
2024/5						
	19-Jun	Wed	PFC 9.30am - 12.30pm			TBC

Mae'r dudalen hon yn wag yn bwrpasol

All Fund Risk Heat Map and Summary of Governance Risks



29 March 2023

Clwyd Pension Fund - Control Risk Register
Governance Risks

Objectives extracted from Governance Policy (03/2023), 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		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		☺				Head of CPF	29/11/2023	22/08/2023
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	Very Low		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, rolling training plan, monitoring (regular self assessments and attendance) 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 and AP training held virtually, hybrid or face to face depending on importance and to maximise attendance, with recordings of training circulated thereafter. 10 - PFC and PB effectiveness surveys completed to ensure that PFC and PB meetings are as effective as possible	Negligible	Very Low		😐 Current impact 1 too high	05/05/2022	Mar 2024	1 - Carry out training needs analysis after induction training (PL)	Head of CPF	29/11/2023	22/08/2023
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	Very Low		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, rolling training plan, monitoring (regular self assessments and attendance) 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 8 - Framework in place for investment decisions relating to climate/RI, which includes regulated advice from Investment Consultant.	Marginal	Very Low		☺			1 - Ensure WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local/Welsh) (PL) 2 - Ongoing monitoring of FCC Climate Committee motion situation	Head of CPF	29/11/2023	22/08/2023
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Unlikely		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		☺				Dep. Head of CPF	29/11/2023	22/08/2023
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, asset pooling, levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)	G1 / G4 / G6 / G7	Critical	Significant		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 OWG, 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 - Pensions dashboard planning currently underway	Marginal	Low		😐 Current impact 1 too high Current likelihood 1 too high	28/02/2017	Mar 2024	1 - Deliver final aspects of cybercrime risk mitigations into BAU (PL) 2 - Refresh and document business continuity assessments/ procedures (KW) 3 - Establish formal project for Pensions Dashboard (KW) 4 - Ongoing engagement with WPP in relation to the WPP Operator 5 - Ongoing consideration of resource requirements to meet external demands	Head of CPF	29/11/2023	22/08/2023
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 / FCC pay grades versus other LAs, asset pools, private sector / cost of living.	G3 / G6 / G7 / T1	Critical	Low		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 vacancies and/or other absences being discussed regularly ensuring priority work continues unaffected 7 - Resourcing regularly considered as part of major projects (e.g. McCloud)	Negligible	Very Low		😐 Current impact 2 too high Current likelihood 1 too high	01/07/2016	Mar 2024	1 - Recruit to vacant administration roles. (PL) 2 - Ongoing consideration of business continuity including succession planning (PL) 3- Action plan being developed for recruitment, retention, succession planning including consideration of future work levels (PL)	Head of CPF	29/11/2023	22/08/2023
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		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		☺			1 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure (DF) 2 - Training for Committee and Board members on the requirements of TPR's General Code (PL)	Head of CPF	29/11/2023	22/08/2023

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

This update report includes matters arising relating to administration and communications since the previous update report provided at the June Committee meeting.

This update includes matters that are mainly for noting, albeit comments are clearly welcome.

The report includes updates on:

- Progress against the administration and communications related matters in the Fund's 2023/24 Business Plan
- Current Developments and News – including updates on the Fund's McCloud programme, annual allowance and overseas member existence checks.
- Monitoring against the Administration strategy in relation to day to day tasks and key performance indicators – showing the position to the end of July 2023
- 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.

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
	Business Plan 2023/24 Update
1.01	Progress against the business plan items for quarters one and two of this year is positive for all items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this quarter's work (Q2) are as follows: • A1 – Change to CARE revaluation and changes affecting pensions tax – The review of relevant processes and staff training required in relation to changes announced in the budget is now complete. Preparation for the Pension Saving Statement (PSS) exercise is underway and relevant communications have been reviewed. • A2 – McCloud judgement – as usual an update on this programme is included later in this report. • A3 – National Pensions Dashboard – The Pensions Dashboards (Amendment) Regulations 2023 have been made and came into force on 9 August 2023. The regulations replace the original staging timetable with a single, long stop, connection deadline of 31 October 2026. TPR has updated its initial guidance to take account of the new regulations. This confirms that the DWP and the Money and Pension Service will publish guidance setting out a [new] staging timeline for schemes. The staging timeline will indicate when schemes (by size and type) are scheduled to connect. The regulations require trustees to "have regard" to guidance issued in relation to connection. TPR's guidance now confirms that failure to have regard to the DWP and MaPS guidance on staging (when it is issued) will be a breach and sets out how schemes will be expected to demonstrate that they have had regard to it. The Pensions Administration Manager and Project Team Leader continue to attend regular meetings with Heywood (the administration software provider) and the Pension and Lifetime Savings Association (PLSA) as part of a PLSA project team. • A8 – Implement the new Communications Strategy – The content of the Fund's website continues to be reviewed to ensure clear and concise language is being used. The website has also been updated to include a Member Self Service (MSS) registration guide in video format, both in English and Welsh with subtitles along with a deferred Annual Benefit Statement (ABS) guidance video in the same format. The active ABS guidance video will be uploaded ready for the required issue date of 31 August. A new telephony service is being discussed with FCC to help improve service to members who wish to contact us by phone, through use of an automated menu system to direct incoming calls. • E1 – McCloud Employer Liaison Team (ELT) Services – Good progress continues to be made with the provision of data for those employers using the liaison team. Work continues to ensure deadlines are met.

1.02	**Current Developments and News** The following details developments and news in addition to business as usual *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 is continuing to engage and work with employers regarding the submission of their data. The process to validate the data had previously been agreed and approved by the Programme Management Group (PMG) and is now a regular agenda item for the data workstream meetings to ensure the process is reviewed regularly and remains stringent and fit for purpose. Following receipt of the data by each employer the McCloud team work towards validating the data. In order to achieve the programme milestones, these two processes can work in tandem whereby some of the smaller employers' data can be validated before data collection for the larger employers has been fully complete. The Scheme Advisory Board has issued guidance on McCloud data collection, outlining appropriate methods to obtain/estimate data where it cannot be reliably obtained from an employer. The guidance also covers data validation, and the McCloud Team are considering the guidance, although it is not expected to impact the agreed validation approach. A link to a recent DLUHC member McCloud factsheet was included in the deferred annual benefit statements (ABS) that were issued in June. Consideration is being given to the active ABS, work on which commenced in July 2023. The date of the appeal hearing in relation to the Trades Unions' application for a judicial review of the Government's decision to allocate McCloud costs to members as part of the cost management process is still unknown (The application was dismissed back in March 2023, but the Court of Appeal subsequently granted permission to appeal.) This may be discussed at the Cost Management Sub-Committee meeting which is planned for September. An update will be provided at a future Committee meeting once known. The McCloud team continues to engage with the software supplier to implement changes to the scheme rules from 1 October 2023, so the review of leavers' benefits can commence once the regulations come into force. The McCloud team have set aside two separate weeks over August and September 2023 for systematic testing. McCloud Regulatory Update - Draft regulations and a further consultation were published (on 30 May 2023). This additional consultation was designed to obtain further views in some areas and to seek views where the initial consultation did not address an issue. DLUHC is seeking general

	views on how the McCloud remedy will work for scheme members with multiple periods of LGPS membership (“aggregation”), previous membership with another public service scheme, flexible retirement, pension sharing on divorce and injury allowances. DLUHC is also seeking technical comment on areas where the policy approach has now been determined in relation to excess teacher service, compensation and interest on McCloud related payments. The consultation ran until 30 June 2023 and the McCloud programme team provided input into the response provided by Aon. Following this consultation, the regulations are expected to be made in September 2023 before the coming into force date of 1 October 2023. The delay to the regulatory timetable puts pressure on the programme but the team is closely monitoring the situation and will consider its approach to processing casework around this period.
1.03	*Other updates* • Annual Allowance – The Project Team have commenced collecting data from employers and updating member records as part of the preparation required for the annual allowance calculation. The Fund is required to issue Pension Saving Statements (PSS) to scheme members who have either exceeded the annual allowance limit during a tax year or are at risk of doing so (as described in the policy for Administration and Communication of Tax Allowances to scheme members) by 6 October. 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. 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. • Administration Team Review – The Pension Administration Manager along with Team Leaders has reviewed the current individual administration team structures and workflow analysis. Details of where efficiencies can be made and where additional resource is required has been provided to Committee in a separate paper which illustrates the findings of the review and puts forward recommendations for approval. Further work is on-going as part of the wider Fund’s implementation of the national Good Governance recommendations. • Benefit Statements – The Technical and Payroll team along with the Communications team are in the final stages of the Annual Benefit Statement process and statements will be issued to active members by the 31 August via the members’ preferred method of communication. Deferred members received their statements in July. • Backdated Pay Award – A small number of employers have now agreed the pay award for 2023. Both ELT and the Operations team are working towards correcting member records and paying arrears of pension to members whilst also re-calculating transfers, refunds etc for affected members using their updated pay. Overseas Existence Checking – The Technical and Payroll Team are liaising with Convera (overseas pension payment provider) to arrange for the Fund’s overseas pensioner members to complete an existence

	check. Triennial existence checks take place to assist with the identification of any potential fraud. This is a fraud prevention measure as detailed in the Fund's Anti-Fraud and Corruption Strategy.
1.04	**Policy and Strategy Implementation and Monitoring** *Administration Strategy* The latest monitoring information in relation to administration is outlined below: Day to day cases – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis from April 2020 up to and including July 2023, and how this is split in relation to our three unitary authorities and all other employers. The number of incoming cases for June and July was 5,403 (with more than 3,000 in July, the highest it has been for this time of year since we started monitoring incoming cases). This may be partly due to recent engagement with members via the satisfaction survey and the annual Pension Increase award in April. The number of cases completed by the team since the last update for the same period was 4,937, which is pleasing given the recruitment challenges which are detailed further in section 2.01 of this report. The number of open cases increased to 5,958 at the end of July from 5,587 at the end of May. It is hoped that as the recruitment and training of new staff members progresses, the number of open cases will reduce.
1.05	Key performance indicators – Appendix 4 shows our performance against the KPIs measured on a monthly basis up to and including July 2023. 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. As can be seen, across three months and twelve months, there are several KPIs where the number of completed cases has increased and others that have reduced. Key points to note are: • Leavers - all leaver cases have been completed, and performance against the KPIs has improved compared to previous periods. As demonstrated by the drop in the number of cases completed, there have been fewer new leavers to process in the last quarter compared to previous months. 465 cases were processed, which is still a significant number of leavers in a 3-month period. • Transfers were on hold pending GAD guidance. Guidance has recently been received from GAD so processing has re-commenced. The reduction in numbers processed over the period reflects the pause in completions due to the outstanding GAD guidance. Work is now underway to catch up on those cases previously being held. • The key processes that previously caused some concerns, i.e. retirements, leavers and deaths have generally improved over the last quarter. Resource is constantly being reviewed in these areas as the staff members responsible for these areas are also responsible for recalculations relating to the retrospective pay

awards. The numbers relating to recalculations due to pay awards are not included in the KPIs.

Staff members continue to work additional hours, if possible, and the priority for the Operations Team continues to be cases where a payment is made either to an individual or a third party. The management of challenging regulatory timescales which apply to significant numbers of cases will continue to be difficult whilst new staff are recruited and then trained. Resourcing is considered further later in this report.

1.06 **Internal dispute resolution procedures (IDRP)**

In relation to the cases for 2022/2023:

- There were nine Stage One appeals against employers. Six have been rejected, one has been upheld and two are still ongoing.
    - Of the six that have been rejected, four relate to non-award of ill health retirement and two relate to the tier of ill health awarded
    - For the case that has been upheld, the member has now been awarded tier 1 ill health retirement
    - The two outstanding appeals relate to either non award of ill health retirement or the member disagreeing with the tier of ill health retirement that they have been awarded
- One Stage Two appeal was submitted against the employer. The member appealed the award of tier 2 ill health retirement. This appeal was rejected.

In relation to cases for 2023/2024:

- There are currently no Stage One appeals
- There is one Stage Two appeal which has been submitted against the employer. The member has appealed that they were only awarded tier 2 ill health retirement.

	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	6	2
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	1	0
Stage 2 - Against Administering Authority	0	0	0	0
	2023/2024			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	0	0	0	0
Stage 1 - Against Administering Authority	0	0	0	0
Stage 2 - Against Employers	1	0	0	1
Stage 2 - Against Administering Authority	0	0	0	0

	There are no Clwyd Pension Fund cases that are currently with the Pensions Ombudsman.
1.07	**Communications Strategy** The latest information in relation to communication is outlined below: The Technical and Communications teams have worked together to produce and upload a video to the Fund's website explaining the Annual Benefit Statement (ABS) for deferred members. It can be viewed here - https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/ The ABS guidance video for active members will be uploaded for the deadline of issuing statements of 31 August.
1.08	The Communications Team has maintained regular engagement with employers and scheme members over recent months. Other key points in relation to communications include: • The date for the next Employer Engagement session has been agreed with a positive number of employers hoping to attend. • The website has been updated to include FAQs in relation to member strike breaks, the benefits of using MSS and the about us section. • Seventeen 1-2-1 member sessions have taken place and three training sessions with employers covering how to complete a leaver form, employer responsibilities and TUPE process. • Five emails have been sent to employers including information relating to online training modules, member benefit statement guidance and LGA bulletin updates.
1.9	Appendix 5 provides an updated summary of MSS registered users, which shows that enrolment to MSS has increased slightly with over 53% of the scheme membership now having registered. The number of members that have opted for paper correspondence has also increased slightly, equating to approximately 18% of the scheme membership. For members registered on MSS, use of the facilities within MSS continues to increase. During the three month reporting period: • 181 members have requested a retirement pack for their deferred benefit via MSS • 13,489 benefit projections have been calculated using MSS functionality • there have been 375 changes to members' expression of wish details, 391 address updates and 9 bank account changes.
1.10	**Delegated Responsibilities** The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegations have been used since the last Committee.

2.00	**RESOURCE IMPLICATIONS**
2.01	Since the last update, following the internal appointment of a new temporary Principal Pensions Officer and a Lead Pension Officer leaving the Fund, two Lead Pension Officer roles became vacant within the team. These roles are in addition to the Lead Pension Officer role that was approved under delegation. All three vacancies have been filled internally offering temporary secondment opportunities. The above appointments resulted in 2.6 Full Time Equivalent (FTE) Pension Officer vacancies in addition to the existing 3.6 FTE vacancies already being managed by the team. After an external recruitment campaign only one Pension Officer vacancy has been filled out of a possible 6.2 FTE. The temporary nature of these roles is causing difficulties in terms of recruitment. All existing temporary staff members have an end date to their contract of 31 March 2024. A separate paper has been provided to the Committee, in which a change to the current structure to assist with recruitment and retention difficulties is being proposed for approval. As mentioned in previous updates, if recruitment to a Pension Officer grade is unsuccessful, it is proposed that any remaining vacant Pension Officer positions are recruited at the lower Pension Assistant grade. Although recruitment at this level is likely to be easier, it is recognised this will result in a greater level of training for the successful candidate(s). Again, due to the significant recruitment of new staff members, training requirements will continue to be very labour intensive, so improvements in KPI performance will be over a number of months rather than immediately. Staffing levels will be continuously reviewed within the McCloud, ELT and Operations Teams.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 6 provides the dashboard and the extract of administration and communication risks. Since the June Committee, the dashboard has been reviewed and updated. An internal control in both Risk number one and three has been removed, “Benefit consultants available to assist if required” and replaced with “National Framework to be utilised if required”. This change is in response to Mercer and Aptia, a new pension and benefits administration

	provider, having entered into an agreement for Aptia to acquire Mercer's UK pension administration services by the end of 2023. All target dates have been reviewed and amended, if necessary, for example due to the ongoing uncertainty around the national pensions dashboard, impact of back-dated pay awards and the delivery of updated monthly employer performance reports. The key risks which are furthest from target continue to be: • Risk number 1 - Unable to meet legal and performance. expectations (including inaccuracies and delays) due to staff issues. • Risk number 2 - Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues. • Risk number 3 - Unable to meet legal and performance expectations due to big changes in employer numbers or scheme members or unexpected work increases. • Risk number 6 – Service provision is interrupted due to system failure or unavailability.

5.00	**APPENDICES**
5.01	Appendix 1 – Business Plan Appendix 2 – McCloud Programme update report Appendix 3 – Analysis of cases received and completed Appendix 4 – Key Performance Indicators Appendix 5 – Member Self Service update Appendix 6 – Risk register update

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Report to Pension Fund Committee – Pension Administration Strategy (March 2021) • Report to Pension Fund Committee – Communications Strategy (June 2022) • Report to Pension Fund Committee - 2023/24 Business Plan (March 2023) **Contact Officer:** Karen Williams, Pensions Administration Manager **Telephone:** 01352 702963 **E-mail:** karen.williams@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region

(b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

(c) **PFC – Clwyd Pension Fund Committee -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund

(d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.

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

(f) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.

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

(h) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation.

Business Plan 2023/24 to 2025/26 – Q1 & Q2 Update

Administration and Communications

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

Administration (including Communications) and Employer Liaison Team Tasks

Ref	Key Action: Task	2023/24 Period				Later Years	
		Q1	Q2	Q3	Q4	2024/25	2025/26
Essential Regulatory-Driven Areas							
A1	Change to CARE revaluation and changes affecting pensions tax						
A2	McCloud judgement			x	x	x	
A3	National Pensions Dashboard			x	x	x	
Priority Fund-Driven Projects							
A7	Review Administration & Communications Related Policies and Strategies					x	x
A8	Implement the new Communications Strategy			x	x	x	
Employer Liaison Team (ELT) Projects							
E1	McCloud ELT Services			x	x	x	

Administration, Communication and Employer Liaison Team Task Descriptions

Essential Regulatory Driven Areas

A1: Change to CARE revaluation and changes affecting pensions tax

What is it?

With effect from April 2023, the date at which career average pension accounts in the LGPS are revalued will change from 1 April to 6 April. The aim of the change is to lessen the impact of high inflation on pensions growth when compared against the annual allowance. Before the change, LGPS career average accounts would have increased by 10.1% in April 2023 but the allowance for inflation in the pension growth calculation would be only 3.1%. This would have led to a significant increase in the number of members breaching the annual allowance threshold and potentially incurring a tax charge, despite the revaluation not representing a ‘real terms’ increase in pension.

The Fund will need to ensure that calculations of member benefits (including annual benefit statements) are amended accordingly. It is expected that the software will be updated in May/June 2023 which will involve retrospective correction of part-year revaluation for members who retired within 2022/23, and an update for the Fund’s annual allowance exercise. If any individual members request annual allowance calculations before then, manual calculations will be required.

In addition, the Budget on 15th March 2023 announced that:

- the Annual Allowance will be increased from £40,000 to £60,000 from April 2023 and
- the lifetime allowance (LTA) will be abolished completely from April 2024, with lifetime allowance charges removed from April 2023

These changes will be relevant for the Fund's Annual Allowance/Pension Saving Statement project in Autumn 2024 as this assesses the growth for the period 6 April 2023 to 5 April 2024.

Further guidance is expected on the options available for members taking benefits in excess of the LTA in 2023/24 and on how members with existing protections may be affected.

Timescales and Stages

Retrospective correction of April 2023 PI	2023/24 Q1
Manual calculations for individuals requesting annual allowance calculations	2023/24 Q1
Update processes, including communications for PSS exercise	2023/24 Q1 to Q2

Resource and Budget Implications

This will be led by the Pensions Administration Manager. All costs for the updates to the 2023 revaluation exercise will be met from the existing budget. There may be additional software costs for the 2024 Pensions Increase process.

A2: McCloud judgement

What is it?

The McCloud judgement relates to an age discrimination case brought by a member of the Judicial Pension Scheme challenging the protections for older members introduced when the Government reformed public service pension schemes in 2014 and 2015. The Court of Appeal ruled that the transitional provisions gave rise to unlawful age discrimination. Government subsequently confirmed that there would be changes to all the main public service pension schemes, including the LGPS, to remove the discrimination.

When the LGPS changed from a final salary to a career average pension scheme in 2014, members who were within ten years of their Normal Pension Age (NPA) on 1 April 2012 were given a "better of both" promise, i.e. when a protected member takes their pension, the benefits payable under the career average and final salary schemes are compared and the higher amount is then paid. This protection is called the underpin.

To remove the discrimination, the Government proposes to provide all qualifying members with protection based on a remedy period from 1 April 2014 to 31 March 2022. It consulted on the proposed changes to the LGPS to do this in 2020, and in May 2021 issued a statement confirming the key changes it will make to the LGPS to remove the discrimination. The Department for Levelling Up Housing and Communities (DLUHC) recently published its response to the consultation, providing clarity on the remedy which enables the Fund to take further steps towards implementation.

Draft LGPS remedy regulations are currently being consulted upon and are expected to be made in the coming months, before coming into force on 1 October 2023.

Implementation of the McCloud remedy involved a large-scale retrospective data collection exercise, which is drawing to a close. Guidance on missing/unreliable member data has been provided by the Scheme Advisory Board (SAB), enabling the McCloud data collection exercise to be completed.

Additionally, it has a significant impact on administration processes and systems, and requires a robust communication exercise with employers and scheme members. The additional resource requirements are significant.

Whilst final regulations are awaited, the focus is on:

- finalising the collection of data to calculate the new statutory underpin
- liaising with the pensions administration software supplier to ensure software is updated in line with the new regulations
- planning which processes and calculations will need to change to implement McCloud into ongoing administration
- planning for the recalculation of leavers' benefits
- planning communications, particularly to scheme members.

The Fund established the McCloud programme to implement the remedy for Clwyd Pension Fund in 2020, including some team members who are 100% dedicated to this work for the duration of the programme.

Timescales and Stages

Data collection from all employers, validation and upload to Altair (ongoing)	2023/24 Q1
Review of leavers' benefits (benefit rectification) – planning, process recalculations and prepare letters to members	2023/24 Q1 to Q2
Review of and updating ongoing administration processes, calculations and letters to comply with regulations coming into force on 1 October 2023	2023/24 Q1 to Q2
Communications with members (and employers as appropriate)	2023/24 Q1 to Q4
Final regulations come into force, including retrospective changes to members' benefits	01/10/2023

Implement new regulations: • new administration processes, calculations and letters • issue benefit rectification letters and pay updated benefits	2023/24 Q3 to Q4

Resource and Budget Implications

Although the work is being led and managed by a separate Fund McCloud programme team, it impacts across all of the Administration Team. The additional internal resource allocated to the dedicated McCloud programme team is expected to continue throughout 2023/24. There continues to be additional costs relating to consultancy (including programme management which being provided by Aon), incidentals such as postage and printing, and system costs. The budget for 2023/24 is £270k in total.

A3: National Pensions Dashboard

What is it?

The National 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. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard. All pension schemes must connect to the dashboard infrastructure by their "staging date" as determined by the Department for Work and Pensions (DWP) with the dashboards made publicly available shortly after schemes have onboarded. The staging date for all public sector pension schemes including the LGPS was 30 September 2024. However, the DWP issued a written ministerial statement on 2 March 2023 announcing a delay, allowing additional time to ensure that the dashboard infrastructure is safe and secure and works for both pension schemes and the end users of the service. Legislation is expected soon which will amend the timings and provide further clarity. However, the Fund intends to continue with its existing dashboard project. The reason for this is the significance of dashboards and the steps required to becoming 'dashboard ready'' and, because the staging date for LGPS was already significantly later than the earliest date for private sector schemes, the delay to the Fund's staging date may not be significant.

Due to the ongoing work for McCloud, some of the requirements in relation to the data which must be able to be viewed through the dashboard have a later deadline of 1 April 2025 (known as the "value" data) which displays the current value of the member's pension benefits and projections for active members.

A formal Fund Pensions Dashboard project to implement the dashboard will be established in early 2023/24. Key elements of the project will include:

- appointing an Integrated Service Provider (ISP) who will collect dashboard data from the Fund and provide it to the National Pensions Dashboard so members can see it.
- testing the functionality provided by the ISP including the interfaces between the Fund's administration system and the ISP
- ensuring data is in a fit state for sharing - work had already commenced in 2022 in this area (for example, a bulk exercise to pay outstanding refunds has been undertaken)
- agreeing what fields of data will be used to "match" scheme members which will then allow the ISP to release Fund members' information to the National Pensions Dashboard
- determining what reporting needs to be developed and testing it
- identifying and implementing changes to ongoing administration processes
- identifying the impact on resources in the long-term
- communicating with scheme members.

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

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

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

Timescales and Stages

Project set up, appointing ISP, initial engagement with AVC providers, data cleansing	Already commenced 2022/23 to 2023/24 Q1
Agree the Fund's staging date and finalise detailed project plan	2023/24 Q1 to Q2
Consider and agree data matching criteria	2023/24 Q1 to Q2
Ongoing data cleansing and system functionality testing (including reporting)	2023/24 Q1 to September 2024
Review and update administration processes, and consider impact on future resources/budget	2023/24 Q1 to Q4
Develop and issue various member communications	2023/24 Q2 to 2024/25
Latest staging date	Unknown
Final work on value data post McCloud benefit rectification and data updates	2024/25

Resource and Budget Implications

The proposed 2023/24 budget includes estimated additional system costs for the ISP (including set up costs) and consultancy costs for project management set up and technical support. Costs will be monitored throughout the year and any necessary changes will be brought back to Committee for consideration. The biggest uncertainty will be the impact on the workload of the Pensions Administration Team once the dashboard goes live. Ongoing resources will be considered as part of the 2024/25 budget.

Priority Fund Driven Projects

A7: Review Administration and Communication Related Policies and Strategies

What is it?

Due to the changes announced in the budget the Policy for Administration and Communications of Tax Allowances will need to be reviewed in advance of the scheduled review date of March 2025. The Fund Administration Strategy was last approved at the May 2021 PFC and the Fund Communications Strategy was last approved at the June 2022 PFC. The strategies state that they will be reviewed at least once every three years to ensure they remain relevant and up to date.

There are a number of other administration and communications related policies that also need to be reviewed regularly as shown in the table below.

In addition, it is proposed that the Fund will develop a Data Improvement Policy at the same point as reviewing the existing Administration Strategy.

Timescales and Stages

Policy for Administration and Communications of Tax Allowances to Scheme Members (approved March 2022)	2023/24 Q1
Review of Administration Strategy (last approved May 2021)	2024/25 Q1
Approve first Data Improvement Policy	2024/25 Q1
Review of Under / Overpayment Policy (approved September 2021)	2024/25 Q2
Personal Data Retention Policy (reviewed March 2022)	2024/25 Q4
Review of Communications Strategy (last approved June 2022)	2025/26 Q1
Review of Scheme Pays Policy (assumed last approved January 2023)	2025/26 Q4
Review of Administering Authority Discretionary Policy (assumed last approved January 2023)	2025/26 Q4

Resource and Budget Implications

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

A8: Implement the new Communications Strategy

What is it?

The Fund approved a new Communications Strategy in June 2022 and since then officers have been working on implementing the strategy including developing the Fund's new logo and branding. The new Strategy is focussed on increasing awareness and understanding of the scheme, encouraging stakeholders to take ownership and providing positive experiences including through embracing technology for greater accessibility as well as efficiencies. All communication materials are being updated to make them clearer and more concise, and hence improving readability.

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

Timescales and Stages

Launch redesigned communications with new logo and branding	2023/24 Q1
Gather feedback via scheme member and employer surveys, focus groups and employer engagement discussion. Establish test review group for new communications (already commenced)	2023/24 Q1
Create communication plan for 2023/24 Update the communication plan post survey results, focus groups and feedback Update for future years and to implement wider segmentation, videos and other improvements	2022/23 Q4 2023/24 Q1 Q4
Review and update the branding, structure and content of the Fund's website (already commenced)	2023/24 Q1 to Q4
Videos and webcasts - Develop initial phase of videos and webcasts for the website (already commenced) Agree plan and create wider suite of videos and webcasts	2023/24 Q1 to Q4 2023/24 Q4 to 2024/25
Investigate options to improve telephony – monitoring and user experience – and agree a plan for implementation	2023/24 Q1
Review and update content in communications (e.g. lower reading age) and develop messaging and branding guidelines.	2023/24 Q1 to Q4
Continue to develop the range of online processes within MSS	Ongoing as functionality becomes available

MSS promotional communications to active and deferred members not already registered/stated communication preference	2023/24 Q3 and ongoing
Create and deliver a visual roadmap (the journey to retirement)	2024/25
Ongoing development and delivery of communications relating to new communication plan	2024/25 and 2025/26

Resource and Budget Implications

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

Employer Liaison Team Projects

Understanding the continuing pressure on resources and budgets for employers, the Fund offers assistance to its 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 albeit there is no planned increase in the FTE posts already in place. The total budget allocated for 2023/24 is £363k. £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	2023/24

Cronfa Bensiynau CLWYD Pension Fund

Clwyd Pension Fund

McCloud Programme Update

Prepared for: Clwyd Pension Fund Pension Fund Committee
Prepared by: Aon
Date: 16 August 2023

AON

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

High level Programme Plan

Workstream /key deliverables	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Regulations														
i. Submit Fund response (milestone 1)	x													
ii. Consultation response & draft regulations from DLUHC (milestone 2)											x	x		
iii. Ministerial statement			x											
iv. Regulations made (milestone 3) – estimated												x		
v. Regulations come into force (milestone 4)*													x	
Communications workstream														
i. Pensions Saving Statements issued	x													
ii. Pensions Extra issued	x													
iii. Other McCloud communications			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											
ii. Employer engagement – pilots, 1to1s, monitor/manage timetables		x	x	x										
iii. Data collection from employers, review & validate data		x	x	x	x	x	x	x	x	x	x			
iv. Data validations protocol, draft, approval						x	x	x	x	x	x			
v. Heywoods' tools - New Insights report, Interface & McCloud data views								x	x	x	x			
vi. Upload data to Altair, testing, final										x	x			
vii. Further data cleansing / manual input										x	x			
Funding, accounting and cashflows workstream														
i. Agree plan with actuary on funding implications, conts etc										x	x			
ii. Delivery - TBC										x	x	x	x	x
Ongoing administration														
i. Scoping workstream								x			x			
ii. Delivery								x	x	x	x	x	x	x
Benefits rectification														
i. Scoping workstream								x	x	x	x			
ii. Receive further details and patch releases of initial Heywood functionality, testing					x	x	x	x	x	x	x			
iii. Delivery (other)								x	x	x	x	x	x	x
Programme meetings														
i. Workstream meetings including governance	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

**Latest update suggests that regulations could come into effect as late as October 2023 (previously April 2023)*

McCloud Programme Dashboard

Programme Health: On track

Key	Description
(dark blue)	Complete
(green)	On track
(amber)	Overdue
(red)	At risk
(light blue)	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 2023 – 31 December 2023

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. Testing of systems iv. Data uploading to Altair	Data workstream	PMG	March 2024	McCloud team formed a proposal around data validation process – PMG approval provided in October 2022. Data collection for the in scope membership expected to be complete by: - End September 2023 (small employers) - End December 2023 (larger employers excluding Wrexham) - End March 2024 (Wrexham) Following this, data validation process to commence in September 2023 and loaded to Altair / fully validated by end March 2024 (note these targets are currently under review). In the interim two separate weeks have been scheduled to test the Heywood system. PMG sign off required before upload commences	**In progress**
2. Heywoods' tools i. New Insights report (uploads check), Interface & McCloud data views	Data workstream	PMG	July 2023	Discussions with Heywoods taking place around the new Insights report, Interface and McCloud data views. CPF have confirmed their requirements around the Insights report.	**In progress**
3. McCloud communications i. DBS / ABS - McCloud wording ii. Pensioner / deferred / active newsletter – McCloud wording	Comms workstream	PMG / SG	Various over 2023	Deferred newsletter expected to be issued in November 2023. Additional Pensioner newsletter issued in December 2023. Active member newsletter to be issued in December 2023	**In progress**
4. Consultation outcome announcement / ministerial statement / regulations	n/a	n/a	Autumn 2022 to Autumn 2023	Consultation announcement from DLUHC released 31 May 2023. CPF provided input into the response prepared by Aon in response to the consultation and submitted in June. Whilst this provided clarity in a number of areas CPF asked for further clarification particularly around member communications and timescales for implementing the remedy. The LGPS regulations will be made over September 2023 and come into force on 1 October 2023 (noting previously this was "on" 1 April 2023). Guidance is also expected from SAB/DLUHC.	**In progress**
5. Programme meetings i. Data workstream (every ~3-4 weeks) ii. Communications workstream (~1-2 per quarter) iii. Benefits rectification & ongoing administration workstream (frequency to be agreed) iv. PMG (~1-2 per quarter) v. SG (bi-annually)	Programme Manager	n/a	Ongoing	Ongoing administration workstream meetings commenced late 2022 - regular meetings to be scheduled once regulations are available. Benefits rectification workstream commenced in August 2023 - regular meetings to follow. Update reports provided to SG where full meetings are not deemed required.	**In progress**

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 – 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
7	McCloud Data collection	Unable to collect required data in full from employers in a timely manner	Programme Management Group	Karen Williams	SC2, SC4, SC7	Critical	Significant (50%)		1. Early engagement with employers to obtain buy-in. 2. Initial virtual meeting to improve engagement. 3. One to one engagement, with potential ELT engagement. 4. Seek verification of understanding through a signed compliance statement. 5. Training through employer webinars. 6. Focus on 'in scope' only members as a priority	Negligible	Unlikely (5%)	
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%)		1. Thorough project planning. (Programme plan) 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%)	
38	Aggregations	Could require large resource for manual calculations	Programme Management Group	Karen Williams	SC2, SC3, SC4, SC8	Critical	Very High (65%)		1. Regularly consider regulations to see if this will be required	Negligible	Unlikely (5%)	

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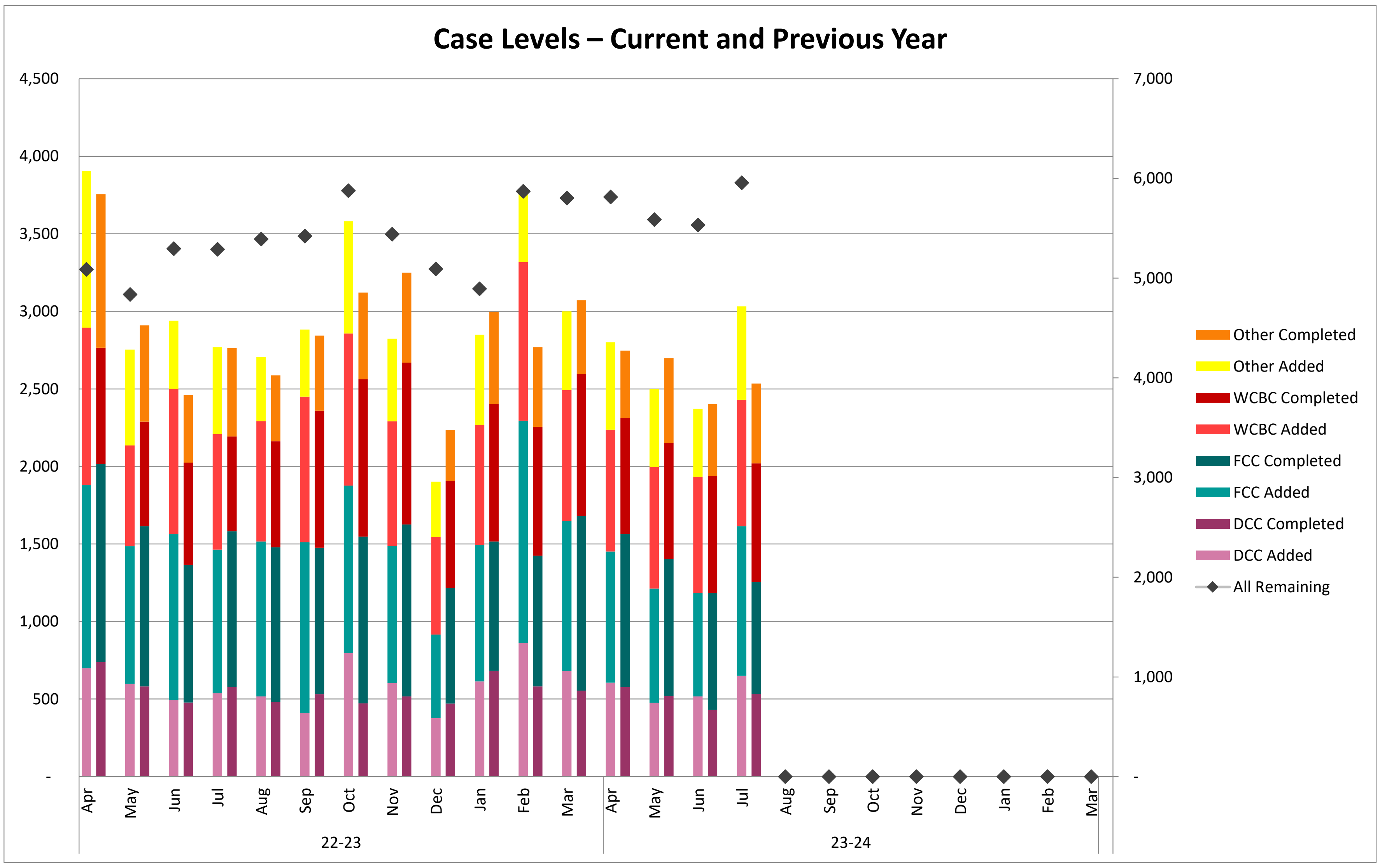
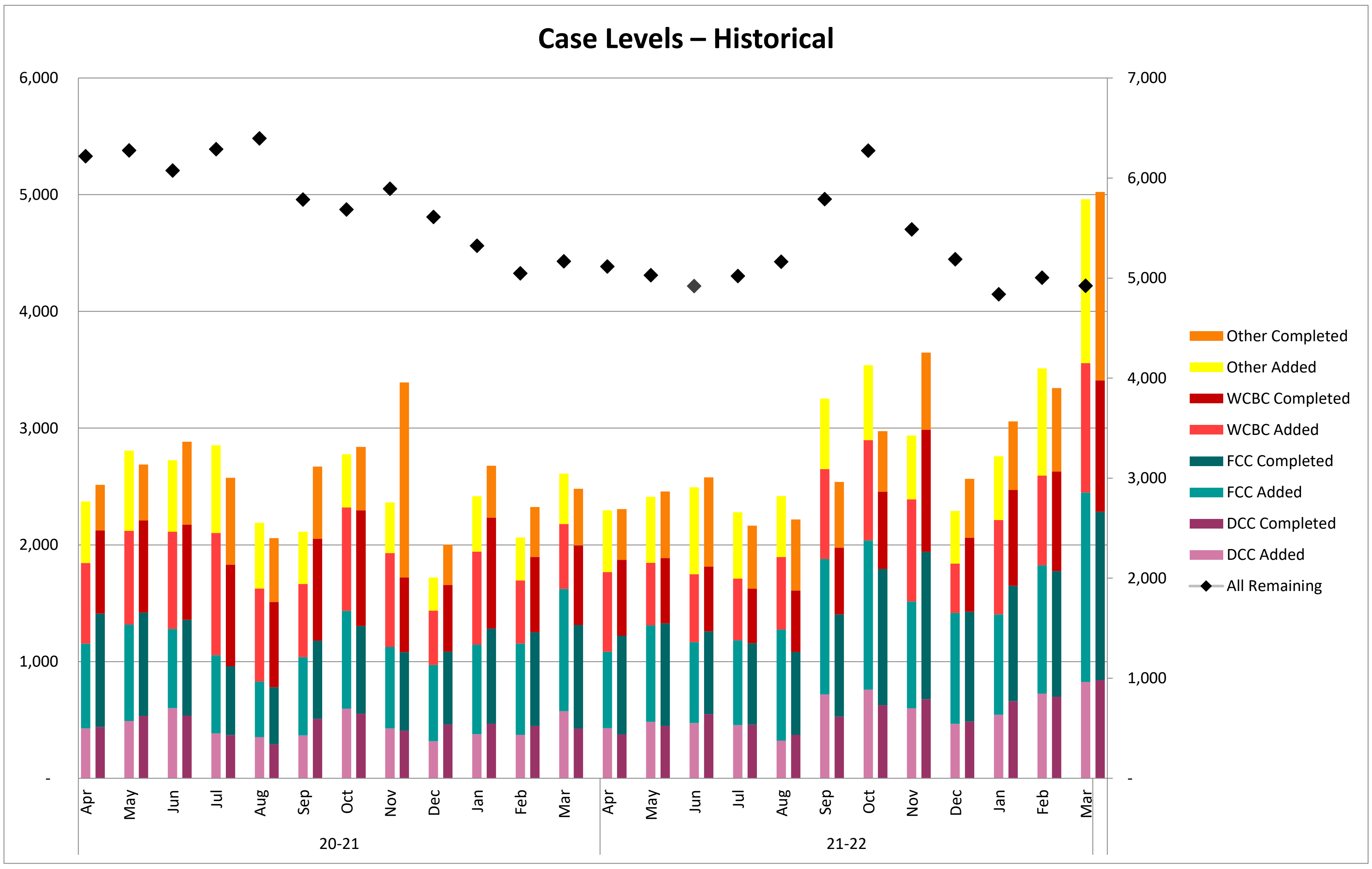

Case Levels – Current and Previous Year
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar
22-23
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar
23-24
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining


Case Levels – Historical
6,000
5,000
4,000
3,000
2,000
1,000
-
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar
20-21
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar
21-22
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining

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

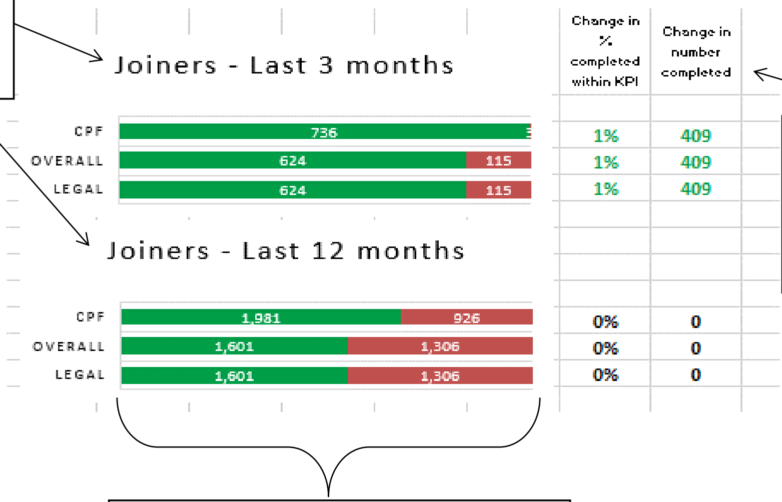
Interpretation of graphs

One graph has been provided for each KPI in the table above.

This is illustrated further below.

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.

Each KPI shows the stats for the previous 3 months and the previous 12 months



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.

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan / Administered by Cyngor Sir y Fflint / Flintshire County Council

Key Performance Indicators - Executive Summary - to July 2023

Joiners - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	819	84	6%	160
OVERALL	819	84	6%	160
CPF	898	5	3%	160

Joiners - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	3,493	591	-2%	-80
OVERALL	3,493	591	-2%	-80
CPF	4,037	47	-1%	-80

Leavers - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	465	0	0%	-400
OVERALL	261	204	21%	-400
CPF	463	2	30%	-400

Leavers - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	2,443	3	0%	440
OVERALL	1,282	1,164	-6%	440
CPF	2,182	264	-9%	440

Transfers In - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	24	40	-41%	-40
OVERALL	24	40	-41%	-40
CPF	34	30	-17%	-40

Transfers In - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	247	84	-10%	-7
OVERALL	247	84	-10%	-7
CPF	233	98	-8%	-7

Transfers Out - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	18	20	-52%	-63
OVERALL	9	29	-70%	-63
CPF	3	35	-58%	-63

Transfers Out - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	404	23	-4%	-83
OVERALL	385	42	-6%	-83
CPF	320	107	-11%	-83

Retirements - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	378	53	4%	91
OVERALL	348	83	3%	91
CPF	410	21	-1%	91

Retirements - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	1,353	238	1%	-45
OVERALL	1,217	374	5%	-45
CPF	1,502	89	4%	-45

Quotations - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	203	1	1%	-19
OVERALL	203	1	1%	-19
CPF	187	17	1%	-19

Quotations - Last 12 months

			Change in % completed within KPI	Change in number completed
LEGAL	807	11	-1%	3
OVERALL	807	11	-1%	3
CPF	714	104	-2%	3

Deaths - Last 3 months

			Change in % completed within KPI	Change in number completed
LEGAL	30	13	15%	12
OVERALL	12	31	2%	12
CPF	24	19	-5%	12

Deaths - Last 12 months

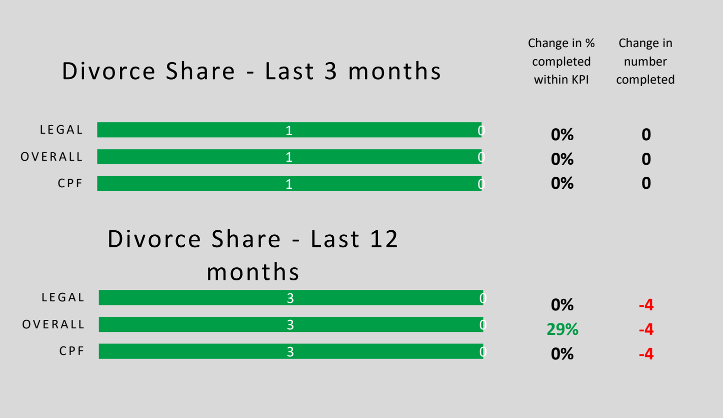
			Change in % completed within KPI	Change in number completed
LEGAL	113	52	-14%	-51
OVERALL	44	121	-4%	-51
CPF	108	57	-7%	-51

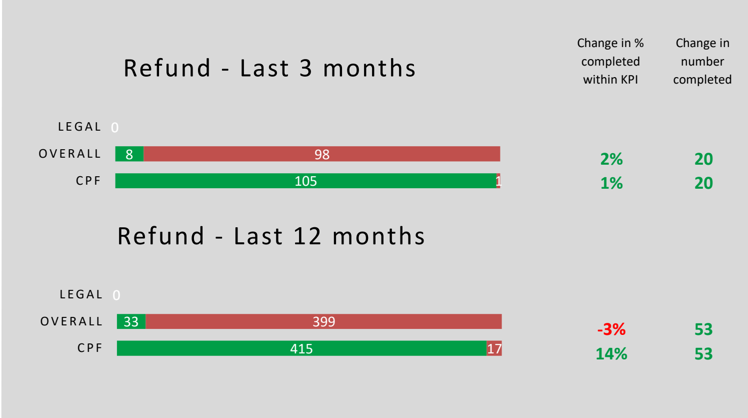
Divorce Quote - Last 3 months

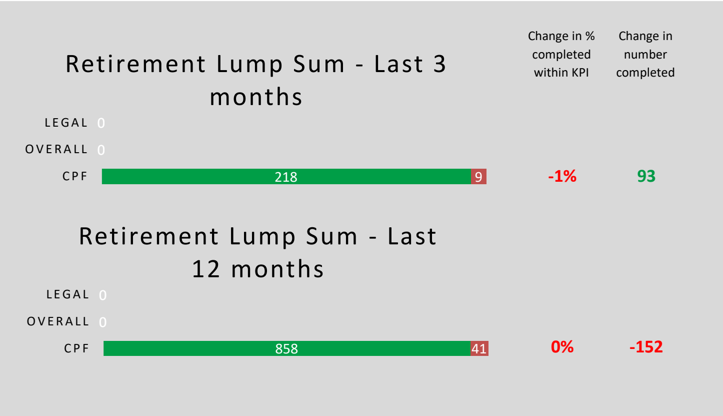
			Change in % completed within KPI	Change in number completed
LEGAL	32	0	0%	20
OVERALL	26	6	-19%	20
CPF	32	0	0%	20

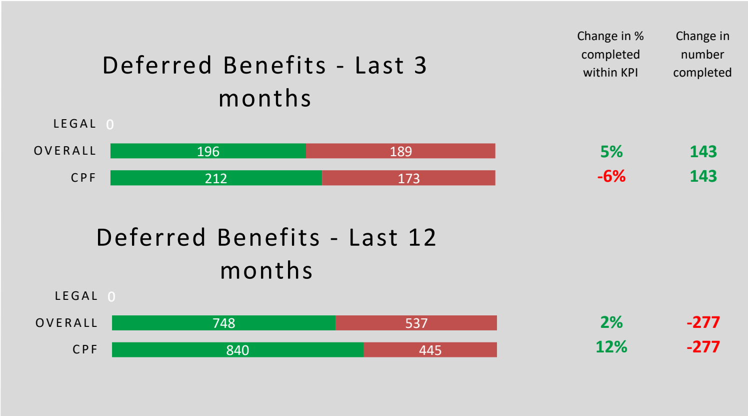
Divorce Quote - Last 12 months

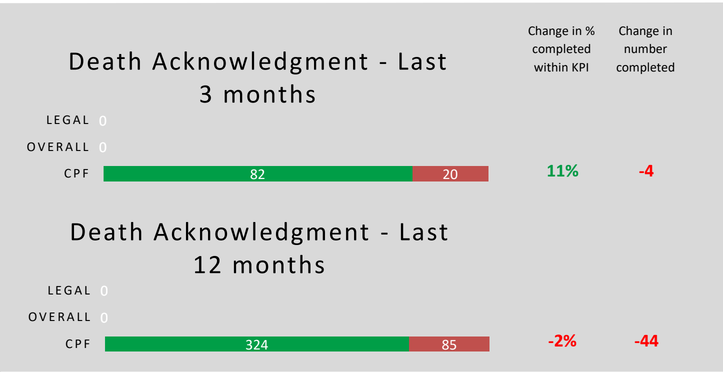
			Change in % completed within KPI	Change in number completed
LEGAL	107	0	1%	-3
OVERALL	101	6	-5%	-3
CPF	102	0	4%	-5


Divorce Share - Last 3 months
Change in % completed within KPI
Change in number completed
LEGAL
OVERALL
CPF
1
1
1
0
0
0
0%
0%
0%
0
0
0
Divorce Share - Last 12 months
LEGAL
OVERALL
CPF
3
3
3
0
0
0
0%
29%
0%
-4
-4
-4

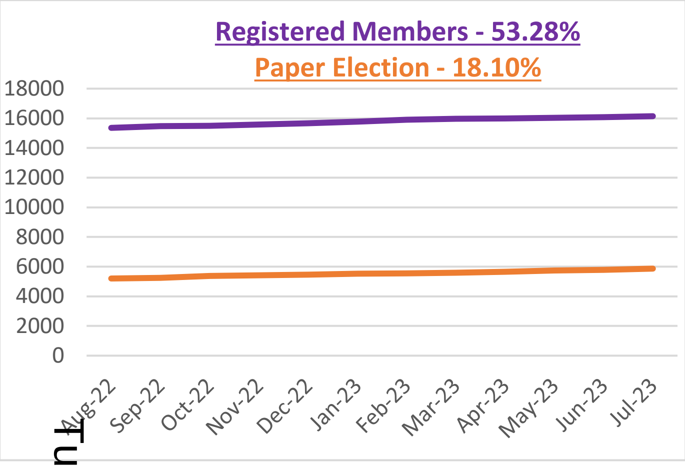

Refund - Last 3 months
Change in % completed within KPI
Change in number completed
LEGAL
OVERALL
CPF
0
8
98
105
1
2%
1%
20
20
Refund - Last 12 months
LEGAL
OVERALL
CPF
0
33
399
415
17
-3%
14%
53
53

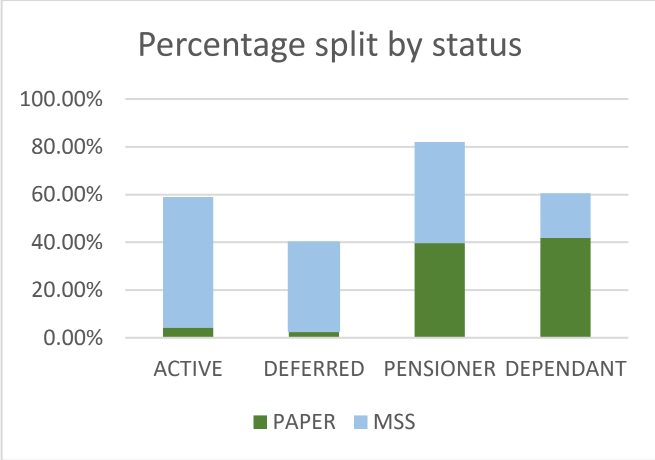

Retirement Lump Sum - Last 3 months
Change in % completed within KPI
Change in number completed
LEGAL
OVERALL
CPF
0
0
218
9
-1%
93
Retirement Lump Sum - Last 12 months
LEGAL
OVERALL
CPF
0
0
858
41
0%
-152

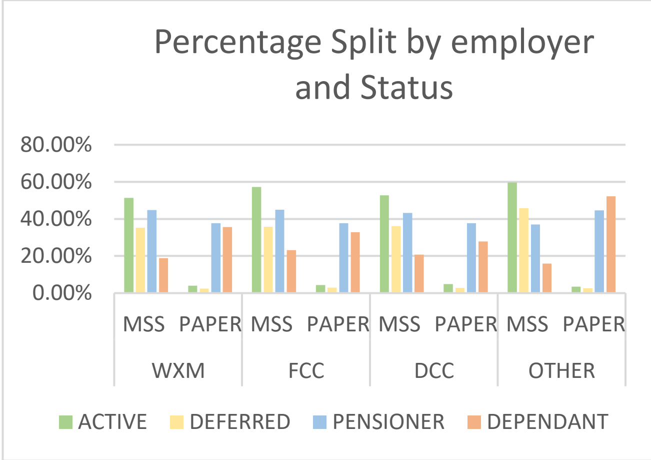

Deferred Benefits - Last 3 months
Change in % completed within KPI
Change in number completed
LEGAL
OVERALL
CPF
0
196
189
212
173
5%
-6%
143
143
Deferred Benefits - Last 12 months
LEGAL
OVERALL
CPF
0
748
537
840
445
2%
12%
-277
-277


Death Acknowledgment - Last 3 months
Change in % completed within KPI
Change in number completed
LEGAL
OVERALL
CPF
0
0
82
20
11%
-4
Death Acknowledgment - Last 12 months
LEGAL
OVERALL
CPF
0
0
324
85
-2%
-44

Member Self-Service: 01/05/2023 – 31/07/2023







Update from 01/05/2023 – 31/07/2023

As at 31/07/2023 53.28% of our members have registered for MSS. This means that the percentage of registered members has increased by 0.79% since our last update.

As at 31/07/2023 18.10% of our members have opted for paper correspondence. This percentage has increased by 0.72% since our last update.

The Clwyd Pension Fund issued the Deferred Benefit Statements (DBS) in June 2023. These were issued either by post or electronically depending on members' communication preference. Our in-house DBS guidance video was launched on our website to help members understand the information on their pension statement.

By 31 August 2023, the Annual Benefit Statements (ABS) will be issued to our members who are currently paying contributions into the scheme. In the same way as the DBS, these will be issued either by post or electronically depending on members' communication preference. We will also be creating an in-house ABS guidance video to help members understand the information on their pension statement.

(Statistics between 01/05/2023 – 31/07/2023: (92 days)

Contact Us Tasks

469	**MSSKEY Key requests**
181	SSFCASE (pay deferred)
75	MSSENQ Enquiry tasks
43	MSSEST Estimate tasks
27	MSSRET Retirement tasks
8	MSSTVT Transfer tasks
334	**Contact Us 3.63 p/day)**
391	**MSSADD Address update**
9	**Bank details updated**

Benefit Projections

13,489 benefit projections calculated

Avg 146.62 per day

Expression of Wish

375 changes of expression of wish

4.08 per day

Mae'r dudalen hon yn wag yn bwrpasol

Administration and Communication Risks Heat Map and Summary

Administration & Communication Risks

Impact							
Negligible				4			
Marginal				2 6	5		
Critical			1 3				
Catastrophic							
	Extremely High	**Very High**	**Significant**	**Low**	**Very Low**	**Unlikely**	**Likelihood**

Key

1 — Each risk is represented in the chart by a number in a square.
- The number denotes the risk number on the risk register.
- The location of the square denotes the current risk exposure.

1 — The background colour within the square denotes the target risk exposure.

New risks since the last reporting date are denoted with a blue and white border.

An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

29 March 2023

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.	All	Critical	Significant		1 - Training Policy, Plan and monitoring in place 2 - National Framework can be utilised 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 - Establishment of project team 9 - Ongoing training within the team 10 - Impact of potential or actual vacancies and/or other absences being discussed regularly ensuring priority work continues unaffected 11 - Reviewed wording of job descriptions to ensure fit for purpose	Negligible	Low		Current impact 2 too high Current likelihood 1 too high	31/10/2021	Dec 2023	1 - Ongoing recruitment of vacant posts (PL/KW) 2 - Action plan being developed for recruitment, retention, succession planning including consideration of future work levels and review of team structure (PL) 3 - Ongoing training of recent recruits (KW)	Pensions Administration Manager	10/11/2023	31/07/2023
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 hybrid working, 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. 11 - Employer group engagement meetings established.	Negligible	Very Low		Current impact 1 too high Current likelihood 1 too high	01/07/2016	Dec 2023	1 - Implement new process for employers relating to service standards (KW/AH/KyleW)	Pensions Administration Manager	10/11/2023	31/07/2023
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, backdated pay awards)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Significant		1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - National Framework can be utilised 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 7 - Pensions dashboard planning currently underway	Marginal	Low		Current impact 1 too high Current likelihood 1 too high	27/08/2018	Dec 2023	1 - Ongoing consideration of the impact on resources of backdated pay awards, likely national changes and Pensions Dashboards (KW) 2 - Implement and move non BAU to temporary project team	Pensions Administration Manager	10/11/2023	31/07/2023
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 in 2022 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	Dec 2023	1 - Implement new communications strategy in line with 2022/23+ business plan (KM/KW)	Pensions Administration Manager	10/11/2023	31/07/2023
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 - Review of admin system/reappointment of Heywood in 2023 (following being founding authority on national framework for admin systems). 4 - Implementation of other Altair modules including Altair Insights (relating to TPR scores) 5 - Ongoing engagement with Heywood about software enhancements including timeliness of upgrade 7 - Ongoing identification of data issues and data improvement plan in place	Negligible	Very Low		Current impact 1 too high	01/07/2016	Dec 2023	1 - Appoint pension dashboard ISP in line with new national dashboard timetable (KW)	Pensions Administration Manager	10/11/2023	31/07/2023
6	Service provision is interrupted	System failure or unavailability, including as a result of cybercrime or resourcing constraints	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 6 - Ongoing cycle of supplier cyber assessments	Negligible	Unlikely		Current impact 1 too high Current likelihood 2 too high	08/11/2019	Dec 2023	1 - Develop updated business continuity plan for CPF (KW) 2 - Implement remaining elements of cyber strategy (KW)	Pensions Administration Manager	10/11/2023	31/07/2023

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
Report Subject	Investment and Funding Update
Report Author	Graduate Investment Officer Trainee

EXECUTIVE SUMMARY

The former Asset Pooling report has been integrated into the usual Funding and Investment Update report.

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

There are separate agenda items on Investment Performance and the Funding and Flight Path Risk Management Framework.

This update contains matters for noting and includes:

- Progress with the items on the Business Plan 2023/24.
- Wales Pensions Partnership (WPP)
- Risk register – there have been no changes to risk levels since the last Committee.
- Delegated responsibilities – actions taken by Officers since the last Committee meeting.

The Head and Deputy Head of Clwyd Pension Fund continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the Officer Working Group and various WPP sub-groups.

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

REPORT DETAILS

1.00	**INVESTMENT AND FUNDING RELATED MATTERS**
1.01	**Business Plan Update** Appendix 1 provides a summary of progress concerning the Investment and Funding section of the Business Plans for 2023/24. Key tasks to note are as follows: • F1 (Investment Strategy Implementation) – The fund transitioned its listed equity holdings from WPP Global Opportunities Fund to WPP Sustainable Global Active Equity Fund. • F2 (Climate Change, TCFD and TNFD) – This work remains ongoing with Mercer. • F3 (UK Stewardship Code) – The draft report is included in agenda item 6 for Committee to consider and delegate approval to the Head of Clwyd Pension Fund, ahead of the 31 October 2023 submission deadline. • F4 (LGPS Investment Related Developments) – The Department for Levelling Up, Housing and Communities (DLUHC) published the Consultation on Next Steps for Investments in the LPGS in England & Wales in July 2023 (see para 1.02). This is covered in agenda item 5. • F5 (Asset Pooling) – The Fund continues to work closely with the WPP on the Operator Procurement process, and its liquid and private market strategies.
1.02	**Current Development and News** *Consultation on Next Steps for Investments in the LGPS in England & Wales* DLUHC has issued a consultation on several investment-related proposals for the LGPS. These include imposing a deadline of 31 March 2025 for the transition of listed assets from funds to pools; proposals around increasing LGPS investments in private equity and projects that meet the government's levelling up agenda. Clwyd Pension Fund will submit its response ahead of the Monday 02 October 2023 deadline, which is presented in further detail in agenda item 5. *Publication of the 2022 Scheme Valuation Report* The Scheme Advisory Board published its 2022 Scheme Valuation Report on 10 August 2022. The report compiles data from all local fund valuation reports and aims to provide an overview of the vital issues faced by scheme members, employers, and other stakeholders. Key highlights from the report include an increase in the average funding levels (on a local funding basis), increased average contribution rates to meet future service costs, and a fall in overall contribution rates – reflecting lower deficit contributions. The report can be viewed in full here.
1.03	**Flintshire County Council's Climate Change Committee** On 10 July Flintshire County Council's Climate Change Committee launched a public inquiry asking for views from "professional, residents and members of the public" on the Fund's net zero investment targets and divestment from fossil fuel companies. The closing date for feedback was

	4 August.
1.04	**Policy and Strategy Implementation and Monitoring** The Advisory Panel receive a detailed investment report from the Fund's Investment Consultants, Mercer, which demonstrates the Fund's compliance with the existing approved Investment Strategy. A summary of this performance is shown in the report included in **agenda item 11**. The Advisory Panel also receives verbal updates relating to the reports produced following the Clwyd Pension Fund officer/adviser working groups: • Tactical Asset Allocation Group (TAAG) • Funding and Risk Management Group (FRMG) • Private Equity and Real Assets Group (PERAG) Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 3.
1.05	**Delegated Responsibilities** The Pension Fund Committee has delegated certain responsibilities to Officers or individuals. Appendix 3 highlights where the use of delegated powers have been utilised. In summary: • Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • The following commitment has been made in-line with the Fund's Investment Strategy and recommendation from Mercer, the Fund's Investment Consultant. **Asset Class** / **Fund** / **Commitment** Infrastructure / Qualitas, Q-Energy V / €12m (£10m) Q-Energy V is a European renewables value-add strategy that seeks to assemble a portfolio of primarily small-scale solar and wind farms, as well as energy storage and biogas.
1.06	**Private Market Allocations** All future commitments to infrastructure, private debt, and private equity investments will be made through the WPP by the appointed Allocators. The property Allocator procurement process remains ongoing. Separately, Mercer will continue to assist fund officers to identify appropriate local and impact investment opportunities.
1.07	As part of this process, all relevant reports arising from Mercer's full due diligence process for any recommended managers is shared with Fund Officers to be considered and discussed. Meetings are then conducted between recommended managers and Fund Officers to discuss the mandate in greater detail, and to facilitate any further information required by the Fund before making a final decision. The Fund and Mercer continue to explore new impact and local opportunities for 2023/24.
1.08	**WALES PENSION PARTNERSHIP (WPP)** **Joint Governance Committee (JGC)** The last WPP JGC meeting was held on 19 July 2023. The draft minutes

	of that meeting are attached as Appendix 7.
	
	The JGC considered or approved the following:
	
	• Clwyd Pension Fund Chair, Cllr Ted Palmer, was appointed as Chair of WPP for 2023/24.
	• An update from the Host Authority.
	• A review of the Risk Register which was updated to reflect the changes made during Q2 2023.
	• An annual review of the WPP's Climate Risk Policy and Stewardship Policy. The JGC approved updates to both polices. The Climate Risk Policy has been amended to better-reflect the Paris agreement goals.
	• The Operator provided an update on the pooled assets (including passive investments) totalling £15.6bn as at March 2023.
	• An update on investment performance was provided to March 2023. Clwyd Pension Fund investments include the Global Opportunities Equity Fund (invested since February 2019, exited in June 2023), Multi Asset Credit Fund (invested since August 2020), and the Emerging Markets Equity Fund (invested since October 2021). The Global Opportunities Fund had outperformed the benchmark to date. The Emerging Market Equity and Multi Asset Credit Funds remained behind their respective benchmarks since inception.
	
	Further information on the topics highlighted above is available in the full public agenda here.
	
	Five additional items were discussed during the non-public part of the meeting. These included:
	
	• The Securities Lending Performance Review 2022/23
	• The quarterly Engagement report was received from Robeco.
	• Responsible Investment and Climate Risk reports were noted for the Global Growth and Global Opportunities sub-funds.
	• The following sub-funds were reviewed as part of Hyman's Robertson's annual performance review:
	    ◦ UK Opportunities
	    ◦ Global Credit
	    ◦ Global Government Bond
	• The approval of the Operator Procurement evaluation criteria.
	
	Further details of these are available in item 13 of the agenda.

1.09	**Officer Working Group & Sub-Groups** The Deputy Head of Clwyd Pension Fund and the Graduate Investment Officer both attend the WPP Private Markets and Responsible Investment (RI) sub-group meetings. The Fund regards both areas as important and complex due to 29% of our assets being allocated to private markets and our ambitions within the Fund's Responsible Investment policy, which also includes the Climate Risks objectives. The Head of Clwyd Pension Fund attends the Risk sub-group's quarterly meetings. Both the Head and Deputy Head of Clwyd Pension Fund attend

	the Procurement (of the Operator contract) sub-group. All four sub-groups report back to the Officer Working Group (OWG). An update was provided by WPP's Oversight Advisor, Hyman's Robertson, and the Host Authority to the OWG on 24 July 2023 with regards to the ongoing work of these groups. The main items discussed were: • A review of the WPP Risk Register for Q3 2023. • The implementation of the new Breaches & Errors policy. • A further update on the Operator contract procurement. • Investment performance reports provided by Link/Russell. The Link Group sale completion is now subject to regulatory approval, after the required threshold of existing clients to move to Waystone was achieved. The latest update regarding the Link Group sale was communicated by the Fund's Governance Administration Assistant to Committee members on 08 August 2023. Any further updates will be shared as they become available. The WPP provides training for Officers, JGC and Constituent Authority committee and board members. The next training session will be held on 21 September 2023 and will cover Responsible Investment.
1.10	The following liquid investments are made through WPP and have been updated to reflect the Committee's decision to transition from Global Opportunities Equity to the Sustainable Active Equity fund in June 2023. Current NAV as at June 2023.

Mandate	Current NAV	Inception
WPP Sustainable Active Equity	c.£199m	Jun 2023
WPP Multi Asset Credit	c.£236m	Aug 2020
WPP Emerging Market Equity	c.£113m	Oct 2021

In addition, the following commitments have been agreed for the first biennial Private Markets vintages with the WPP Allocators from April 2023.

Allocator	Asset Class	Committed
Russel Investments	Private Credit	£50m
GCM Grosvenor	Infrastructure	£64m
Schroders	Private Equity	£80m

The WPP Allocators are responsible for appointing private market managers. GCM Grosvenor, the Infrastructure Allocator have committed and deployed capital to two direct investments in Wales.

1.11	**Private Markets Update** The Private Equity sub-group is continuing its work with bFinance to finalise the tender specifications document ahead of the WPP's tender process to select and appoint a Property Allocator later this year. It was agreed at the June 2023 committee that the delegated powers to Officers relating to the selection, appointment and dismissal of Fund Managers and investments into new mandates/emerging opportunities would be limited to investments outside of the WPP. The Delegation to Fund Officers has been updated to reflect this.
1.12	**Wales Pension Partnership (WPP) Responsible Investing Update**

	The Fund's key priorities within its Responsible Investment (RI) policy includes enhancing reporting on RI matters. The Fund has encouraged the production of an RI report for each of the Welsh Pension Fund Committees that details information concerning voting, engagement and securities lending. The report is close to being finalised and will be included within the Clwyd Pension Fund Committee papers at the November 2023 meeting. The Fund will provide publicly available documentation until the report is published.
1.13	Since last reported to Committee, the RI sub-group (RIWG) met once in July 2023. The next meeting will take place on 05 September 2023. The main areas discussed during the last meeting were: • An update was provided on the stewardship-related activities undertaken on behalf of the WPP. Stewardship themes were also reviewed. • Further discussions around the implementation of an Escalation Policy in the event of failed engagement. • The application of a restriction list on securities lending is to be assessed. • RI training requirements for the OWG and JGC. • The provisional results of the All-Wales Climate Report were provided to the RIWG. The report will be shared once finalised. As mentioned in the previous section, the quarterly RI report is close to being finalised. Officers were hopeful the report would be available to share at August Committee, however, due to a delay during the review process, the report has been delayed momentarily. It is expected that the report will be published well-ahead of our next meeting and will be included in the November 2023 Committee papers.
1.14	There are opportunities as an asset owner to engage with companies and vote at Annual General Meetings, with the aim to help improve company policies relating to environmental, social and governance matters. The WPP own stocks on behalf of the Constituent Authorities (including Clwyd Pension Fund) and carry out voting and engagement on their behalf. WPP appointed Robeco as the Voting and Engagement provider. The Deputy Head of Clwyd Pension Fund, as part of the WPP RI sub-group, has collaborated with Robeco to create suitable reports for Constituent Authorities that details when voting and engagement has taken place.
1.15	Appendix 4 highlights the engagement work that has been undertaken on behalf of WPP from March to June 2023. This quarter provides information and case studies on the following areas of engagement: • Biodiversity • Human Rights Due Diligence for Conflict-Affected and High-Risk Areas • Good Governance • Proxy Voting – Market Insight It is important to note that the lists of stocks in the engagement report concern the WPP as a whole and may not be in the sub-funds in which the Clwyd Pension Fund are invested. Enhancements in this area continue to

	be ongoing. Appendices 4 and 5 provide 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 made during the period to June 2023, and some of the voting highlights.
1.16	Securities Lending involves the owner of shares or bonds transferring their ownership temporarily to a borrower. In return, the borrower transfers other shares, bonds, or cash to the lender as collateral, and pays a borrowing fee. Stock lending can, therefore, generate income and incrementally increase fund returns for investors. Northern Trust are responsible for managing any Securities Lending within the WPP sub-funds on behalf of the WPP. Quarterly Securities Lending reports are presented at each WPP Joint Governance Committee (JGC). The results below were presented to the JGC in July 2023. The total amount of WPP net revenue for Securities Lending during the quarter to March 2023 was £1,129,507. The Clwyd Pension Fund is only invested in three funds which generate revenue, of which our aggregated share can be found in the table below.

Sub Fund	WPP Net Revenue £	CPF Net Revenue £
Global Opportunities Fund (4%)	508,673	20,347
Emerging Markets Equity (33%)	35,042	11,564
Multi Asset Credit (35%)	53,079	18,578
Total	596,794	50,489

1.17	**Operator Contract Procurement Update** The latest JGC meeting was held on 19 July 2023, where Hymans Robertson presented the proposed evaluation criteria which was approved by the JGC. The evaluation criteria is now to be approved by the individual Constituent Authorities. Please refer to agenda item 13.

2.00	**RESOURCE IMPLICATIONS**
2.01	There is considerable time allocated by the Head and Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not separately recognised in the Clwyd Pension Fund budget; this consequently results in greater reliance on external advisors for local matters.

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

4.00	**RISK MANAGEMENT**
4.01	Appendix 2 provides the dashboard and risk register highlighting the current risks relating to investments and funding matters.
4.02	The way in which 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, the consultation published by the Department for Levelling Up, Housing and Communities (DLUHC) introduces further implications for the Fund to consider. The WPP risk register is included in the JGC agenda. As at March 2023, of the nine risks covered, six are on target; the remaining three are currently behind target. These included: • Difference of opinion/ or views within the WPP can not be reconciled. • WPP 's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions. • The WPP is not prepared for the outcomes of any consultation or regulatory change The Head of Clwyd Pension Fund continues to attend quarterly WPP Risk sub-group meetings.

5.00	**APPENDICES**
5.01	Appendix 1 – Business Plan Appendix 2 – Risk Dashboard and Register – Investments and Funding Appendix 3 – Delegated Responsibilities Appendix 4 – WPP Engagement Report Q1 2023 Appendix 5 – WPP Global Opportunities Summary Voting Q1 2023 Appendix 6 – WPP Emerging Market Equity Summary Voting Q1 2023 Appendix 7 – JGC 19 July 2023 Minutes

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• Earlier Committee reports on the progress of the WPP. Full hyperlinks for referred to information: • 1.02 – SAB 2022 Scheme Valuation Report – https://lgpsboard.org/index.php/2022-valuations-report • 1.03 – FCC Climate Change Committee Public Inquiry – Achieving Net Zero Carbon – https://www.flintshire.gov.uk/en/Resident/Council-Apps/NewsPortlet.aspx?id=13539 • 1.08 – JGC Public Agenda 19 July 2023 https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=6585&Ver=4

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 Mercer, 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. (p) **Financial Reporting Council (FRC)** – an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants and actuaries, and setting the UK's Corporate Governance and Steward. (q) **OECD Countries** – Organisation for Economic Co-operation and Development; 38 Member countries from North and South America to Europe and Asia-Pacific. (r) **Inter-Authority Agreement (IAA)** – the governance agreement between the eight Wales pension funds for purposes of pooling. (s) **The Operator** – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link Fund Solutions Limited. (t) **Financial Reporting Council (FRC)** – an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants, and actuaries, and setting the UK's Corporate Governance and Steward. (u) **Financial Conduct Authority (FCA)** – The Financial Conduct Authority (FCA) regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers. A full glossary of Investments terms can be accessed via the following link. **https://www.schroders.com/en/uk/adviser/tools/glossary/**

Business Plan 2023/24 to 2025/26 – Q1 & Q2 Update

Funding and Investments

Key Tasks

Key:

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

Funding and Investments (including accounting and audit) Tasks

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

Funding and Investments (including accounting and audit) Task Descriptions

F1: Investment Strategy Implementation

What is it?

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

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

Timescales and Stages

Implementation of any changes	2023/24 Q1 to Q2

Resource and Budget Implications

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

F2: Climate Change, TCFD and TNFD

What is it?

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

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

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

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F3: UK Stewardship Code

What is it?

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

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F4: LGPS Investment Related Developments

What is it?

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

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

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

Timescales and Stages

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

Resource and Budget Implications

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

F5: Asset Pooling

What is it?

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

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

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

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

Further details are contained within the WPP Business Plan.

Timescales and Stages

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

Resource and Budget Implications

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

Mae'r dudalen hon yn wag yn bwrpasol

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Impact	Funding & Investment Risks (includes accounting and audit)						
Negligible					7		
Marginal			6		5	8	
Critical			3 9	2 4	1		
Catastrophic							
	Extremely High	Very High	Significant	Low	Very Low	Unlikely	Likelihood

Key

1 Each risk is represented in the chart by a number in a square.
- The number denotes the risk number on the risk register.
- The location of the square denotes the current risk exposure.

1 The background colour within the square denotes the target risk exposure.

New risks since the last reporting date are denoted with a blue and white border.

An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

29 March 2023

Clwyd Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (02/2023) and Investment Strategy Statement (03/2022):

F1 Achieve and maintain assets equal to 100% of liabilities within the 12 year average timeframe whilst remaining within reasonable risk parameters.
F2 Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
F6 Ensure net cash outgoings can be met as/when required
F7 Minimise unrecoverable debt on employer termination.
F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
I1 Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
I2 Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable longterm costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Very Low		1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process and as part of the ongoing risk management framework.	Critical	Very Low		☺				Head of CPF	31/03/2025	30/08/2023
2	Funding level reduces, increasing deficit / reducing surplus	Movements in assets and/or liabilities (as described in 3,4,5) in combination, which leads to a reduction in funding level and increased contribution requirements in particular	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low		See points within points 3,4 and 5	Marginal	Low		😐 Current impact 1 too high	31/03/2016	Sep 2023 (market dependant)	1 - Continue to monitor market conditions and respond through the trigger framework (DF) 2 - In conjunction with Risks 3, 4 and 5 – overall market conditions are monitored continuously (DF) - See points within points 3, 4 and 5	Head of CPF	29/11/2023	30/08/2023
3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	- Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented. - Black swan event e.g. global pandemic such as Covid-19 - Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy - Internal team do not have sufficient knowledge in order to challenge the investment managers on the advice given or understand the implications of all investment choices issues on the fund	F1 / F2 / F3 / F4 / F7	Critical	Significant		1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring at Investment Day, FRMG and TAAG meetings 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of Investment opportunities available 7 - Consideration and understanding of factors impacting inflation. 8 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions. 9 - Officers work closely with the WPP to ensure that CPF has the ability to pool its assets in an efficient and effective manner	Critical	Low		😐 Current likelihood 1 too high	02/08/2022	Sep 2023 (market dependant)	1 - Continue to monitor market conditions, underlying asset classes and investment managers either directly or via WPP (DF) 2 - Ongoing consideration of officer succession planning, including maintaining local investment knowledge (PL)	Dep. Head of CPF	29/11/2023	30/08/2023
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low		1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee. 5 - The level of hedging will increase as triggers continue to be hit, the level of hedging continues to be monitored and reported.	Marginal	Very Low		😐 Current impact 1 too high Current likelihood 1 too high	31/03/2016	Sep 2023 (market dependent)	1 - Continue to monitor market conditions and respond through the trigger framework (DF) 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously (DF)	Dep. Head of CPF	29/11/2023	30/08/2023
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low		☺			1 - Consider as part of Triennial Actuarial Valuation (DF)	Dep. Head of CPF	29/11/2023	30/08/2023
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/I1	Marginal	Significant		1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying 5 - Potential legislative agenda for ambitious net zero is an ongoing point of focus 6 - Continue with the monitoring of Link via the Host Authority in terms of performance and ability to continue to provide polling services 7 - Fund policies updated to reflect latest flexibility Regulations on contribution rate reviews and deferred debt arrangements	Marginal	Low		😐 Current likelihood 1 too high	31/03/2016	June 2024 (subject to consultation dates)	1 - Actively participate in the procurement of the WPP operator (DF) 2 - Respond to Government consultations on investments including updated pooling guidance and levelling up when released (DF)	Dep. Head of CPF	29/11/2023	30/08/2023
7	Insufficient cash or liquid assets to pay benefits	- Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs. - Further risk presented with the introduction of exit credits for exiting employers in the 2018 Regulations update. - Private Markets distributions could dry up due to liquidity in markets.	F1 / F6	Negligible	Very Low		1 - Cashflow monitoring (including private markets) to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding sufficient liquid assets as part of agreed cashflow management policy 4 - Monitor cashflow requirements to ensure that they have enough liquid assets to pay the benefits when needed 5 - Cash management policy is documented to help monitor and manage cashflow issues 6 - Employers have been informed to notify Fund of any significant restructuring exercises. 7 - Employers have been informed to notify Fund of potential contract end dates (incl. changes) in sufficient time to reduce risk of large payments (i.e. through a contribution rate review in advance of the contract end date)	Negligible	Very Low		☺			1 - Ongoing monitoring of cashflow and collateral in the context of new valuation contributions (DF)	Dep. Head of CPF	29/11/2023	30/08/2023
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Unlikely		1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely		☺			1 - Ongoing monitoring and consideration (DF)	Dep. Head of CPF	29/11/2023	30/08/2023
9	The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.	1. Responsible Investment (including Climate Change) is not properly considered within the Fund's long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor 2. WPP does not provide CPF with the tools to enable implementation of RI policies	F1, F4, F8, I1, I2	Critical	Significant		1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has 5 Strategic RI Priorities 3. WPP has RI policy in place 4. Fund has adopted a Net Zero ambition by 2045 for its Investment Strategy.	Critical	Low		😐 Current likelihood 1 too high	03/02/2020	Sep 2023	1 -Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. (DF) 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP (DF) 3- Developed an RI framework to assist the Committee in its assessment of implementing the Fund's overall RI objectives (DF)	Dep. Head of CPF	29/11/2023	30/08/2023

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.04	Rebalancing and cash management	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation due to ordinary market movements. In addition, there is a conditional medium-term asset allocation range (Conditional range) to manage major risks to the long-term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

Since the June 2023 committee, the following transactions were actioned to manage cash flow commitments.

June 2023	Redeem £1.6m Best Ideas Portfolio Cash proceeds £1.6m to Clwyd bank account
July 2023	Redeem £48m Man Hedge Fund Strategy Cash proceeds £48m to Clwyd bank account

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund produces a 3-year cash flow forecast as part of the Fund's Business Plan which is monitored quarterly and is revised on an annual basis. The Fund's bank account balance is monitored daily. The main payments relate to members' pensions, expenses, and investment drawdowns. New monies are received from employer and employee contributions, investment income, or distribution income. This cash flow management ensures there are available funds to meet pension payments and investment drawdowns as and when they fall due. The LGPS investment regulations allows very limited borrowing ability. The Fund has no strategic asset allocation to cash, although there is a strategic range of +5% and a conditional range of +30% which may be implemented during periods of major market stress.

Action Taken

The Fund's in-house cash balance at 30th June 2023 was £10.9m (£98.2m at 31st March 2023). The large reduction is due to the Fund's transition from WPP Global Opportunities to Sustainable Active Equity, of which £65m was sourced from in-house cash. There were also several Private Market capital call during the period (drawdowns exceeded distributions by

£17m during the quarter), and the usual monthly pension payments. The overall cash flow is monitored regularly to ensure there is sufficient funds to pay benefits and capital calls for investments as and when they fall due. Work continues to be undertaken by Officers and the Fund's Consultant and Actuary to monitor the cash flows in the event any unforeseen situations arise. Monthly cash flows for the 2023/24 financial year are shown graphically at the end of the Delegations appendix.

	Delegation to Officer(s)	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
1.04	Short term tactical decisions relating to the 'best ideas' portfolio	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to review and consider investment opportunities within the 'Best Ideas' portfolio, given the shorter-term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3%, however, the aim is to add value to the Fund's total investment performance.

Action Taken

Since the previous report to Committee in June 2023 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Partial redemption LGIM High Yield Bond Fund – £2.4m
- Invest £2.4m in LGIM Emerging Markets Passive Local Currency Government Bond Fund
- Partial redemption Insight Short Dated Buy and Maintain Bond Fund – £14m
- Invest £14m in LGIM Over 5 Years Index-Linked Gilt Fund

The current allocations within the portfolio following the transactions are:

- US Equities (2.0%)
- European Equity (1.1%)
- Japanese Equity (1.1%)
- Maturing Bonds (0.7%)
- Short Dated Bonds (1.7%)
- Liquidity Fund (0.7%)
- Index-Linked Bonds (0.5%)
- Emerging Markets Government Bonds (1.1%)
- High Yield Bonds (1.0%)
- Infrastructure (1.2%)

As at the end of June 2023, the Best Ideas portfolio 1 year performance was +1.3% against a target of +11.2% and the 3 year performance was +8.3% against a target of +9.8%.

	Delegation to Officer(s)	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
1.05	Investment into new mandates / emerging opportunities	HCPF and either the CFM or CE (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Fund's current investment strategy includes a 29% asset allocation to Private Markets, which includes investments in private equity (8%), property (4%), infrastructure (including timber and agriculture assets) (8%), private debt (3%), and impact / local investing (6%). These investments are considered higher risk due to their illiquid nature. For this reason, the Fund makes smaller commitments typically ranging from £8m to £20m to this space. The Fund currently has more than 65 managers and 150 separate mandates across these asset classes within its Private Markets portfolio.

The Private Equity & Real Estate Group (PERAG) of Officers and Consultants meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. All investments made under this remit are referred to as the 'In-House Portfolio'. There is a particular focus on Responsible, Sustainable, and Impact themes, as well as Environmental, Social and Governance (ESG) considerations when investments are made.

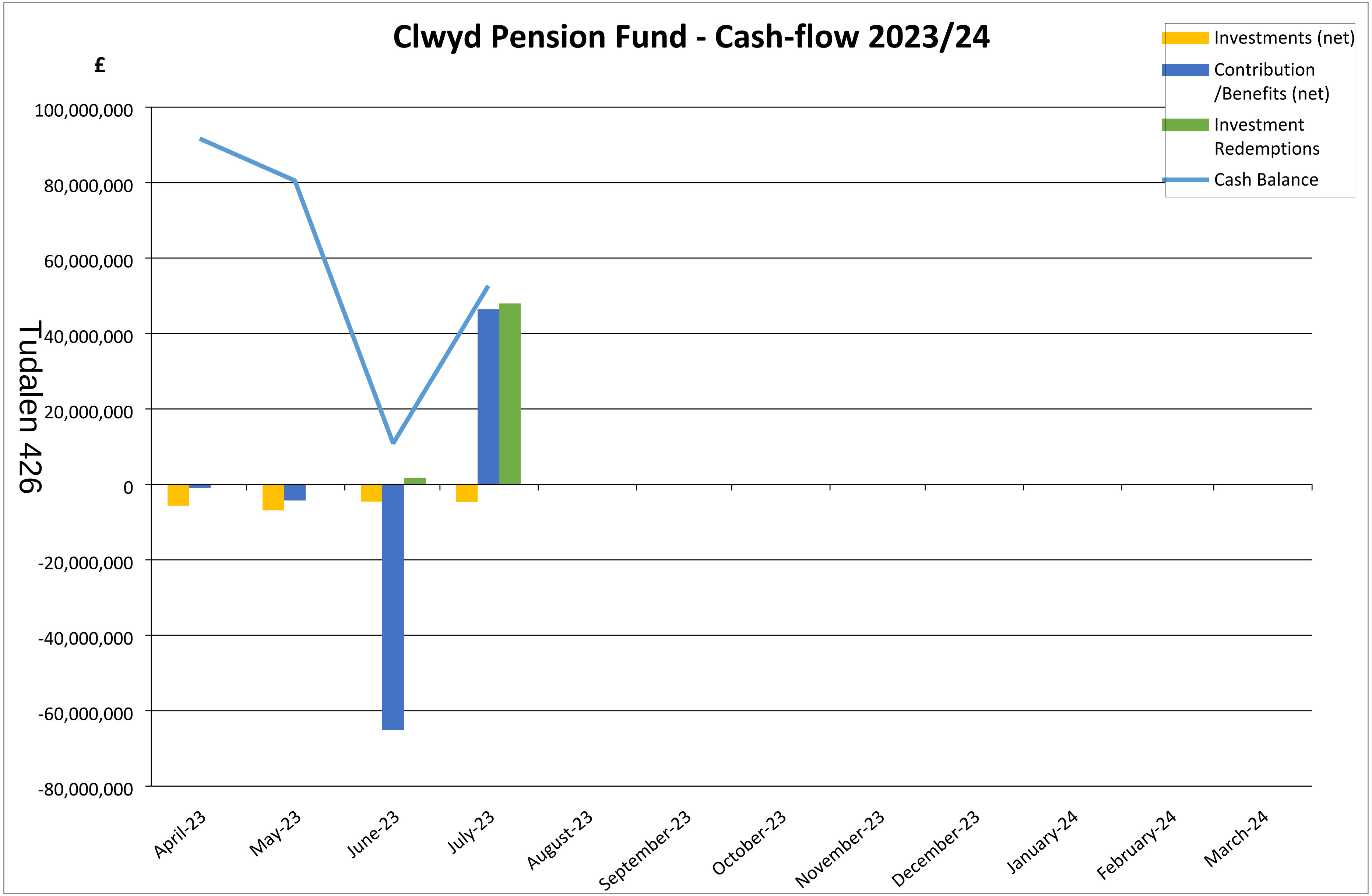
A review of the existing portfolio and future cash flows has been undertaken by Consultants to establish the forward work plan. It is expected that future commitments to Private Market investments, including these alternative areas, will be made through the Wales Pension Partnership (WPP) once available. The Fund Consultants continue to work closely with WPP to ensure appropriate sub-funds are available and remain suitable for the Fund's existing Private Market strategy. In the meantime, the Fund continues to take recommended advice from Mercer to deploy capital in new impact / local opportunities.

Action Taken

Due diligence continues to be undertaken by Mercer on several managers across the various asset classes, and recommendations are being considered. One new commitment has been agreed since the June committee and is detailed below and is referenced in 1.05 within the main report.

Infrastructure

- Qualitas, Q-Energy V – £10m (€12m)


Clwyd Pension Fund - Cash-flow 2023/24
£
100,000,000
80,000,000
60,000,000
40,000,000
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0
-20,000,000
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May-23
June-23
July-23
August-23
September-23
October-23
November-23
December-23
January-24
February-24
March-24
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance

ROBECO
The Investment Engineers

ROBECO I 01.04.2023-30.06.2023

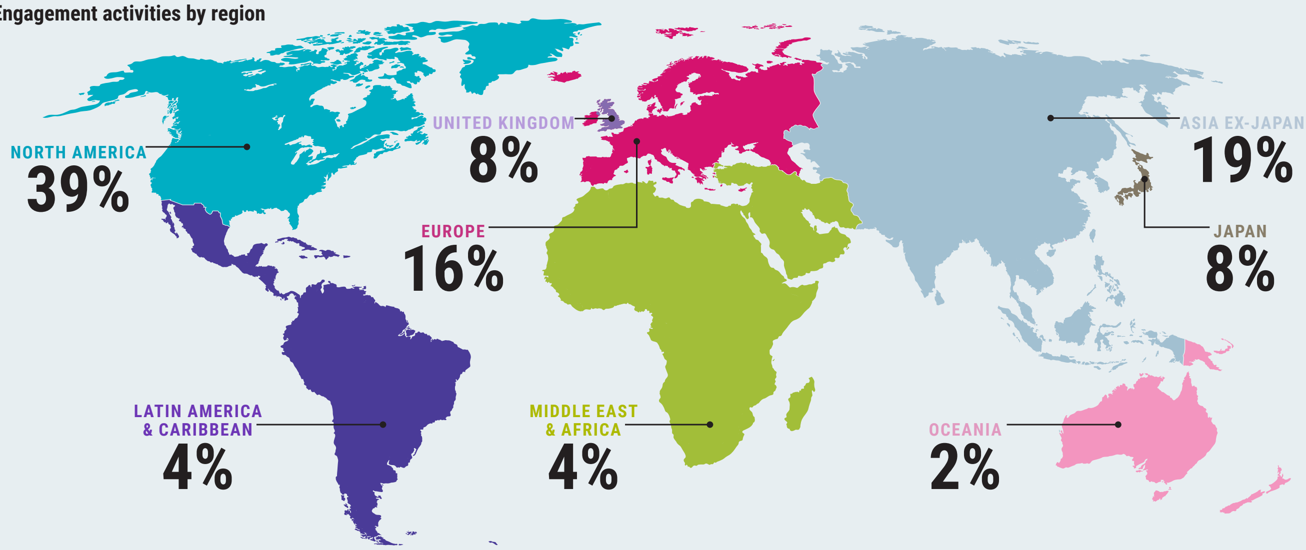
Active ownership report

Partneriaeth Pensiwn Cymru Wales Pension Partnership

Sustainable Investing Expertise by ROBECOSAM

Q2|23 **figures** engagement

Engagement activities by region



Number of engagement cases by topic*

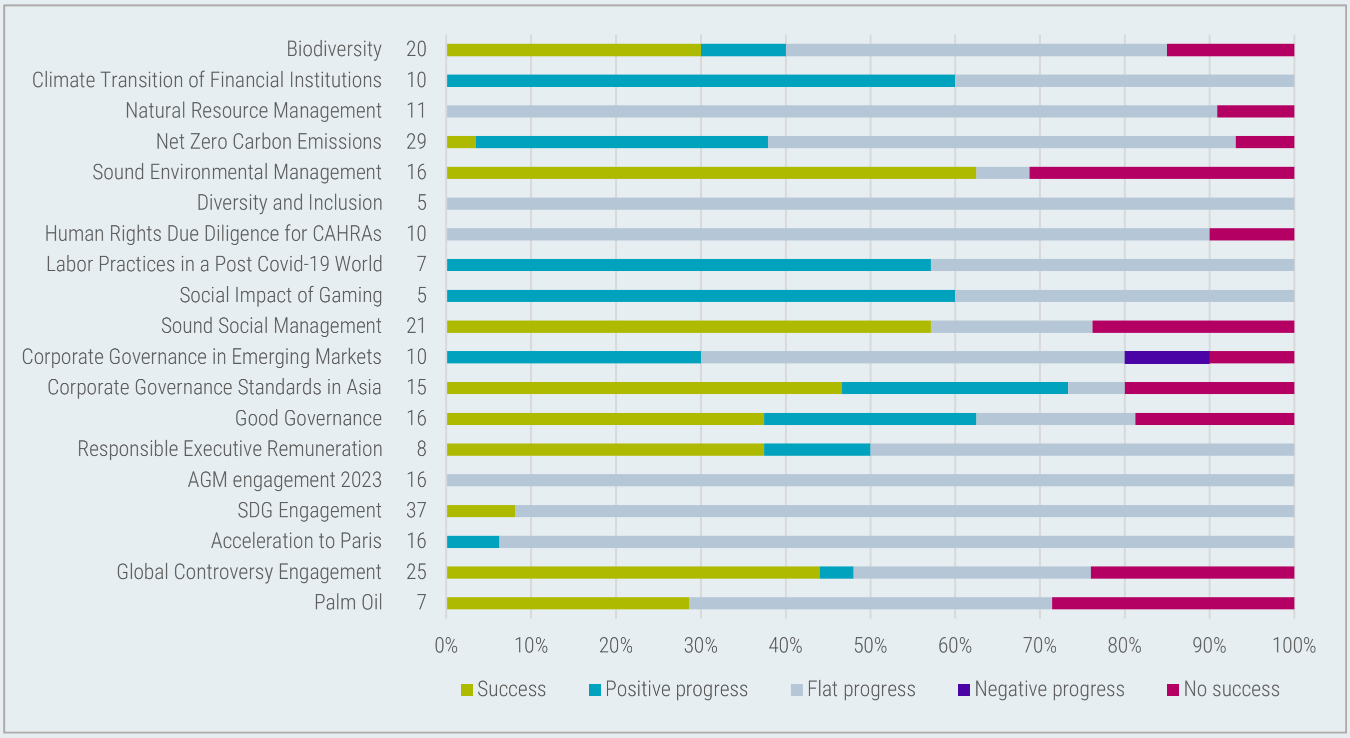
	Q1	Q2	Q3	Q4
Environment	48	61		
Social	17	27		
Corporate Governance	20	19		
Voting Related	9	25		
SDGs	24	2		
Global Controversy	20	19		
Total	**138**	**153**		

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	4	9			13
Conference call	93	96			189
Written correspondence	129	79			208
Shareholder resolution	0	0			0
Analysis	16	49			65
Other	1	6			7
Total	**243**	**239**			**482**

Progress per theme

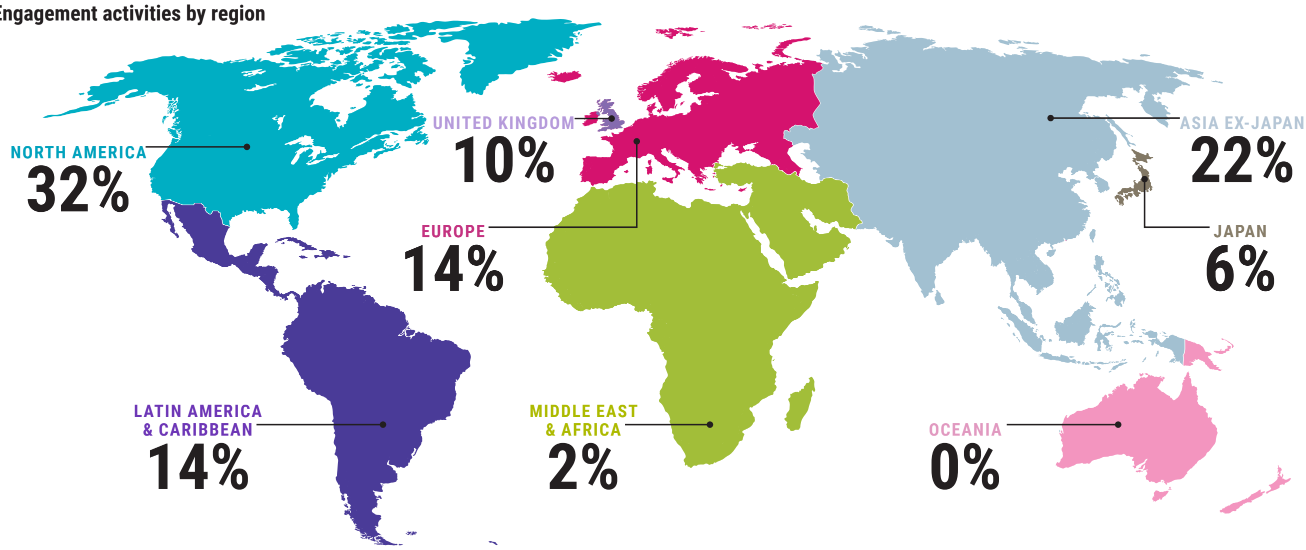
Themes and number of companies under engagement



* For more information on Robeco's approach to engagement please refer to the appendix at the end of the report.

Q2|23 figures voting

Engagement activities by region



Voting overview

	Q1	Q2	Q3	Q4	YTD
Total number of meetings voted	171	793			964
Total number of agenda items voted	1,868	11,460			13,328
% Meetings with at least one vote against management	64%	71%			70%

Progress per theme

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Contents

Biodiversity — 6

Closing the first cases opened within our biodiversity engagement theme back in 2020, engagement specialist Laura Bosch reflects on the progress achieved so far. Focused on eliminating deforestation across agricultural supply chains and restoring destroyed ecosystems, key successes include the accelerating and setting of ‘no deforestation’ targets to as early as 2025 and the establishment of first socially and environmentally inclusive agricultural development models.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas — 9

As conflicts in Myanmar, Xinjiang (China), Palestine and more recently Ukraine continue, our engagement on human rights due diligence in respective regions is gaining traction. Specialist Ghislaine Nadaud shares first insights into companies’ responses to the growing international pressure on human rights, including the strengthening of due diligence and grievance systems.

Good Governance — 12

Concluding the 2023 annual general meeting (AGM) season, engagement specialist Michiel van Esch highlights the growing participation of different civil society stakeholders, from NGOs to employees, at corporate shareholder meetings. As companies must search for ways to accommodate both shareholder and stakeholder voices, changes in the AGM structure are necessary.

Proxy Voting – Market Insight — 15

Reflecting on the turbulent first six months of the year, engagement specialist Diana Trif takes a close look at the 2023 banking crisis. The article identifies key corporate governance concerns, and highlights investors’ unique ability to avoid such incidents in the future by making use of their proxy voting rights.

Introduction

We are now halfway through 2023 and can take stock of what has happened thus far, from concluding our deforestation focused engagements to broadening our human rights due diligence engagements in light of the ongoing Russia-Ukraine war.

After three years, we are closing the first cases opened within our biodiversity engagement theme. Begun in 2020, the theme focused on one of the key biodiversity loss drivers: deforestation. We asked companies involved in in key deforestation-risk commodities to assess their biodiversity footprint, set and implement clear 'no native vegetation conversion' targets (avoiding clearing of biodiversity-rich land), and provide evidence of their progress. Key successes with this theme include among others the establishing and accelerating of 'no deforestation and conversion' targets to as early as 2025. Outcomes have been supported by the growth in independently certified or verified product volumes.

While progress is undeniable, society still has a long way to go if we wish to reverse the biodiversity crisis, which is often seen as the flipside of the climate crisis. This is a road which must not only include the large corporations, but also the smallholder farmers and local communities most affected by compliance pressures. While we have seen the roll-out of several support structures for smallholder farmers, such as technical support or biodiversity valuation systems, concerns on the scale and accessibility of such systems remain.

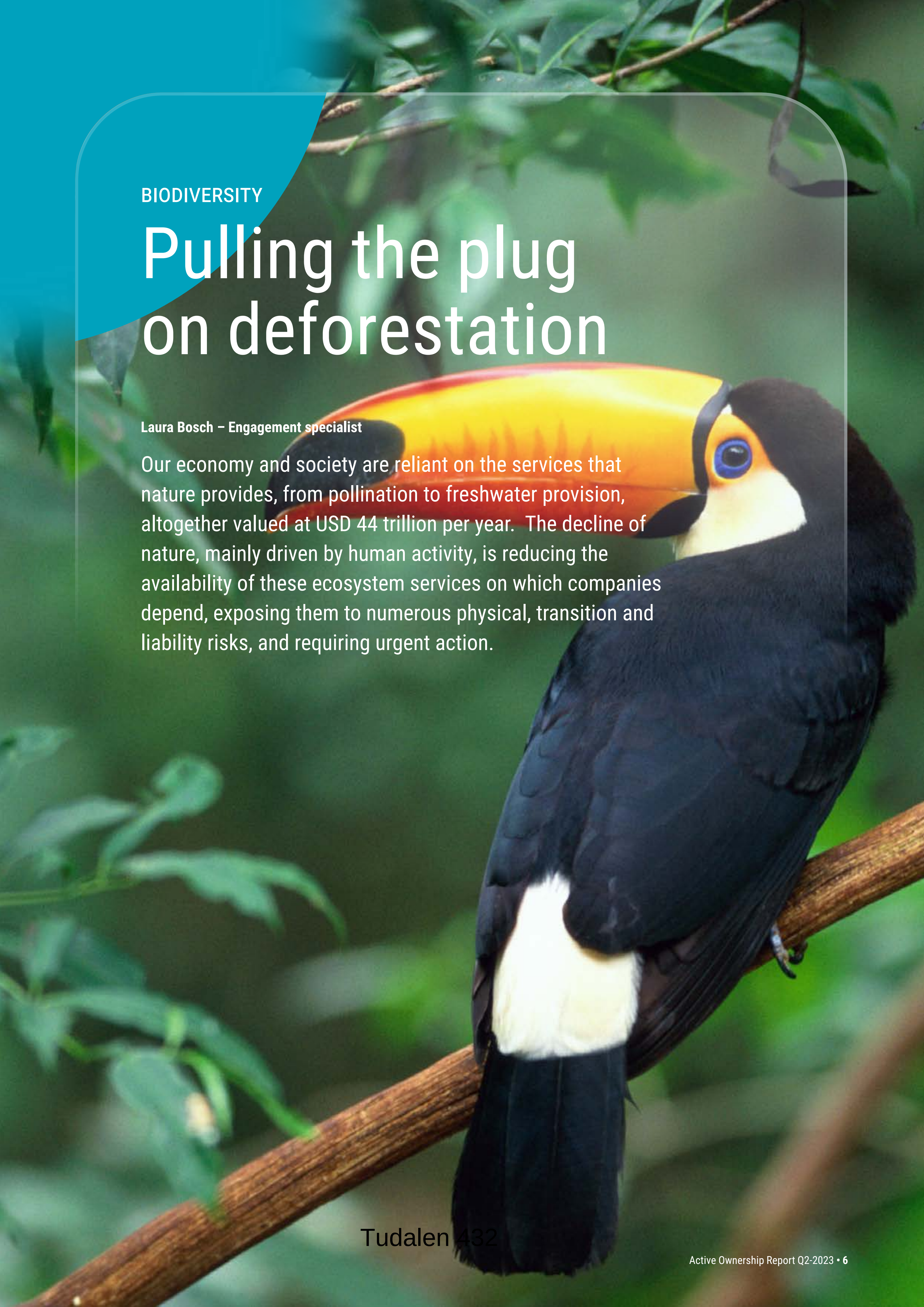
Meanwhile, the Ukraine war entered its second year. It highlights the importance of having adequate human rights due diligence and management systems in place for corporates to mitigate operational, legal and reputational risks. This is echoed in our 'Human rights due diligence for conflict-affected and high-risk areas' engagement theme, which was expanded to include Ukraine. Now that we are midway through the three-year engagement, we have seen the first companies hire dedicated human rights specialists and develop effective due diligence processes. While the results of these efforts are yet to be seen, we remain optimistic.

It's not just conflict zones that can create problems for investors. Poor corporate governance remains a huge issue, as seen in the collapse of three US banks, and the merger forced upon former Swiss titan Credit Suisse to avoid yet another financial crisis. We reflect on how this spring's events call for reform that is based on improving corporate governance rather than simply relying on regulation.

Finally, having concluded this year's AGM season, we reflect on the growing participation of NGOs, employees and local communities to express concerns about societal issues, interactions which in extreme cases have even turned violent. However, we believe that this trend reflects a gap in effective communication and engagement channels between corporates and respective stakeholders, who are seeking out ways to raise their concerns. Going forward, this might well lead to a change in the structure of the AGM as we know it.

As we move into the second half of 2023, we continue our work on biodiversity through the Nature Action 100 collaboration and will start to explore the connections between the climate transition and social concerns through our work on Just Transition. Furthermore, we will strengthen our efforts on human rights, focusing on modern slavery, as well as take a new look on responsible taxation. Throughout all this, we are excited to continue working with our clients, who are essential in shaping our engagement work and agenda.

Carola van Lamoen
Head of Sustainable Investing



BIODIVERSITY

Pulling the plug on deforestation

Laura Bosch – Engagement specialist

Our economy and society are reliant on the services that nature provides, from pollination to freshwater provision, altogether valued at USD 44 trillion per year. The decline of nature, mainly driven by human activity, is reducing the availability of these ecosystem services on which companies depend, exposing them to numerous physical, transition and liability risks, and requiring urgent action.

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In 2020, we initiated an engagement program focused on one of the key biodiversity loss drivers – deforestation. It focused on some of the highest-risk soft commodities, namely cocoa, pulp and paper, natural rubber, beef and soy. For the past three years we have engaged with companies sourcing these raw materials as key components in their production processes, covering sectors such as materials and consumer staples.

As our engagement efforts come to an end, we reflect on the main achievements and challenges we have identified across the several sectors covered in our work. We expected companies to set credible zero deforestation and conversion commitments, conduct robust biodiversity impact assessments, and address the social challenges in their supply chains. These social issues often amplify power imbalances and further incentivize deforestation.

Setting credible zero deforestation commitments

In line with the Global Biodiversity Framework agreed at COP 15, we expect companies to actively work towards reverting nature loss no later than 2030. We encouraged companies to set time-bound commitments to end deforestation and native vegetation conversion in their supply chains no later than 2025. In the last three years, we have seen companies set and accelerate their zero deforestation targets to as early as 2025 and strengthen their monitoring systems to map how their suppliers are exposed to deforestation risks. However, challenges remain around the scope of some of these policies, along with the depth and credibility of monitoring efforts.

Many companies sourcing soy and beef still struggle to include legal deforestation and native vegetation under their commitments. Pulp and paper companies tend to be vertically integrated and source smaller volumes from external suppliers – hence they have better monitoring systems in place. They are also able to rely on well established certification schemes such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

For companies sourcing cocoa and rubber, the challenge around traceability remains an uphill battle. These soft commodities rely heavily on smallholder farmers and have several intermediaries involved in the value chain, making the overall visibility across the supply chain more challenging.

Biodiversity impact assessments

One way for companies to manage their negative impact on land use change is through ecosystem conservation and restoration efforts. In our engagement, we asked companies to implement adequate land restoration efforts and improve their disclosures on sourcing locations in high carbon stock areas.

Most companies have restoration and conservation projects in place. However, these tend to be implemented on an ad-hoc basis without being strategically set to reverse or mitigate the negative impact of their sourcing strategies. While few have committed sizable investments on this front, we have seen companies issue their first restoration or conservation-linked green bonds or make the initial payments for ecosystem service pilot schemes.

Assessing the impact of the companies' sourcing strategies and their own operations on biodiversity is crucial to being able to factor these risks into their decision-making process. In our engagements, we have asked companies to conduct such assessments using the best available science, while prioritizing their efforts based on their internal risk assessments.

Few companies are checking their reliance on different fauna and flora species or are trying to calculate their impact on nature with tools such as the Integrated Biodiversity Assessment Tool (IBAT). We hope the integration of the new Taskforce for Nature-related Financial Disclosures (TNFD) framework will help in streamlining a holistic approach towards how companies carry out their biodiversity impact assessments.

CASE STUDY

MONDELEZ INTERNATIONAL

Mondelez is one of the world's largest US snacks companies. With many of their products based on chocolate, the company is a major importer of cocoa, one of the five key forest-risk commodities.

We have been in an ongoing dialogue with the company, pushing them in particular on integrating its forest restoration efforts within its operating model.

In 2023, under the company's new sustainable cocoa sourcing models, Mondelez has for the first time included clear off- and on-farm restoration targets. While affected areas continue to be insignificant compared to the company's sourcing footprint, we see this as a first step to a more ambitious biodiversity approach.

Disclosure and social impacts

The livelihood and well-being of local communities has shown to be directly linked to deforestation rates. Recognizing that farmers often cannot earn a living income by selling their produce, some companies have integrated a premium into the commodity price as a way to fill this gap. This aims to drive systemic change by improving living conditions and meeting the basic needs of farmers. However, pressure from buyers to keep commodity prices at competitive levels still remains, hindering the applicability of this instrument.

Transparency is key to being able to understand the depth and breath of the scope of corporate commitments, and the implementation of these. We recognize that some companies are starting to disclose their deforestation-free volumes as well as Scope 3 emissions linked to land use change – something that was not publicly disclosed few years ago.

Adoption of certification schemes has also increased, especially within the pulp and paper industry, while the natural rubber and soy sectors still lack credible certification standards. Key disclosure challenges remain regarding the divergent definitions used by companies to report their deforestation efforts, a lack of independent verification for some of their efforts, and an overall lack of disclosure of the hectares linked to land use change.

> *“Pulp and paper companies tend to be vertically integrated and source smaller volumes from external suppliers, hence they have better monitoring systems in place, while for companies sourcing cocoa and rubber, the challenge around traceability remains an uphill battle.*
>
> Laura Bosch

Increased momentum and ongoing engagement efforts

Increased momentum on the topic of mitigating biodiversity loss in the next decade is undeniable. Both companies and investors are directly exposed to soft and hard law requiring more transparency on how nature impacts and dependencies are accounted for across their organizations. Under the EU’s Sustainable Finance Disclosure Regulation (SFDR), European investors need to assess the principal adverse impacts of their investments on biodiversity and other sustainability-related issues.
Companies exposed to deforestation risks are increasingly facing regulatory requirements that aim to bring more transparency on how these risks are managed and mitigated. For instance, the EU Deforestation Regulation (EUDR) requires companies importing products linked to high-risk soft commodities to clearly prove that these are not linked to deforestation.

Hence, our corporate engagement efforts around minimizing biodiversity loss will continue, despite the closure of the engagement dialogues related to deforestation. In the coming months, we will be involved in the launch of Nature Action 100, targeting our engagement efforts on those companies and sectors with the highest negative impact on nature loss, beyond deforestation. Moreover, we will continue our sovereign engagement work focused on supporting government agencies in their efforts to reduce deforestation rates in Brazil and Indonesia. As biodiversity is inextricably linked to global warming, we cannot afford another decade of nature loss if we are serious about tackling climate change.

CASE STUDY

SUZANO
Suzano is Brazil’s largest pulp and paper producer, souring most of wood from its own plantations.

Under the Finance Sector Deforestation Action, we led the collaborative engagement with the company, including a field-visit to their plantations in Brazil.

Suzano solely plants on previously degraded pastures and undergoes high conservation value assessments for each plantation, leading to on average 30-40% of each plot being protected. To enhance the biodiversity value of these plots, the company is actively connecting conservation areas, both through biodiversity-enhanced plantation models and restoration efforts. The company aims to connect half a million of hectares of native forest and tracks the number of monkeys on their land as a proxy for forest connectivity.

HUMAN RIGHTS DUE DILIGENCE
FOR CONFLICT-AFFECTED AND HIGH-RISK AREAS

Where one cannot look away

Ghislaine Nadaud – Engagement specialist

In an interconnected world, corporations often operate across a range of markets, including in regions affected by conflict or other high human rights risk. While these areas present opportunities for economic growth and social development, they also pose significant challenges when it comes to respecting human rights.

The responsibilities in conflict-affected and high-risk areas (CAHRA) are not just a matter of responsibility of the public sector. Companies also play a significant role in determining the well-being of individuals. Under the UN Guiding Principles on Business and Human Rights (UNGPs, 'soft law') corporates – including investors – have a shared responsibility to respect human rights. In addition, we see a changing regulatory landscape ('hard law') on both the national and regional level, with increased requirements for companies on human rights due diligence and disclosures.

The engagements

Investors recognize that adverse human rights impacts pose regulatory, legal, financial and reputational risks to business. When these are not managed or mitigated, they could negatively impact the value of a company. To address this, we launched a dedicated human rights engagement program in the fourth quarter of 2021.

The correlation between conflict-affected areas and human rights violations necessitates that companies conduct enhanced and robust due diligence to understand and mitigate the potential harm their operations may cause. The engagement also focuses on reporting, remediation and performance measurement.

The engagement objectives are:

1. Enhanced human rights due diligence: companies should develop or increase their mechanisms to help mitigate the risks of their presence in conflict-affected areas.
2. Reporting: companies should improve their reporting mechanism to provide transparent information about their human rights policies and practices.
3. Remediation: companies should establish effective grievance mechanisms that allow affected individuals or communities to raise concerns and seek remedies.
4. Performance measurement: companies should measure and evaluate their performance in terms of human rights due diligence to identify areas for improvement.

Taking stock

As our three-year engagement program has reached its midway point, it is important to take stock of the progress made, and the challenges that companies operating from CAHRA continue to face.

At the start of the engagement theme, we selected 10 companies from eight different sectors with significant exposure to CAHRA, with a focus on the Occupied Palestinian Territories (OPT), Myanmar and China/Xinjiang. Each company operates in different industries and areas but shares the opportunity to improve their human rights risk due diligence and management in these challenging contexts.

Progress and challenges

The progress of the engagement has varied among the companies. Overall, they have been open to our engagement, with only one company failing to respond despite multiple attempts to establish contact.

We have seen positive progress with two companies in developing management processes allowing them to exercise effective human rights due diligence in line with the UNGPs. One company hired two dedicated human rights experts to further implement these commitments. Other cases showed a slower evolution in terms of due diligence but improvements in audit and reporting mechanisms, including one for operational level grievance mechanisms.

It remains challenging for most companies to close the gap between their commitments and implementation, as demonstrated by some cases where positive commitments did not translate into tangible processes. It is crucial for companies to bridge this gap between their commitments and actual results. In our engagement going forward, we will increase our focus on companies' implementation efforts.

Regional trends

The engagement also revealed regional trends, with better progress observed in the OPT compared to Myanmar and Xinjiang. Since the start of the engagement, two companies decided to stop their operations: one in the OPT and one in Myanmar. Going forward, our engagement will focus on the human rights implications of withdrawing versus staying, as this has to be carefully weighted to ensure a responsible exit.

Added focus on the Russia-Ukraine war

The past two years have been influenced by ongoing and emerging conflicts and other geopolitical developments. In light of the Russian-Ukraine war and the increased attention to Xinjiang, another four companies have been included in the engagement program.

In addition to our company engagement, we will continue to consult relevant stakeholders such as civil society groups,

> *"We see a changing regulatory landscape ('hard law') on both the national and regional level, with increased requirements for companies on human rights due diligence and disclosures.*
>
> Ghislaine Nadaud

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international human rights organizations and experts. Since obtaining information regarding the situation on the ground in CAHRA is extra challenging, we note the importance of this consultation as being necessary to achieve a positive outcome of our program.

Conclusion

Operating in CAHRA presents unique challenges to companies, which is why human rights due diligence plays a crucial role in helping them navigate the local complexities.

By developing robust policies and procedures, conducting comprehensive risk assessments, engaging stakeholders and establishing effective grievance mechanisms, companies can mitigate potential human rights risks. They can then contribute to positive change in these challenging environments while safeguarding their own reputation and long-term sustainability.

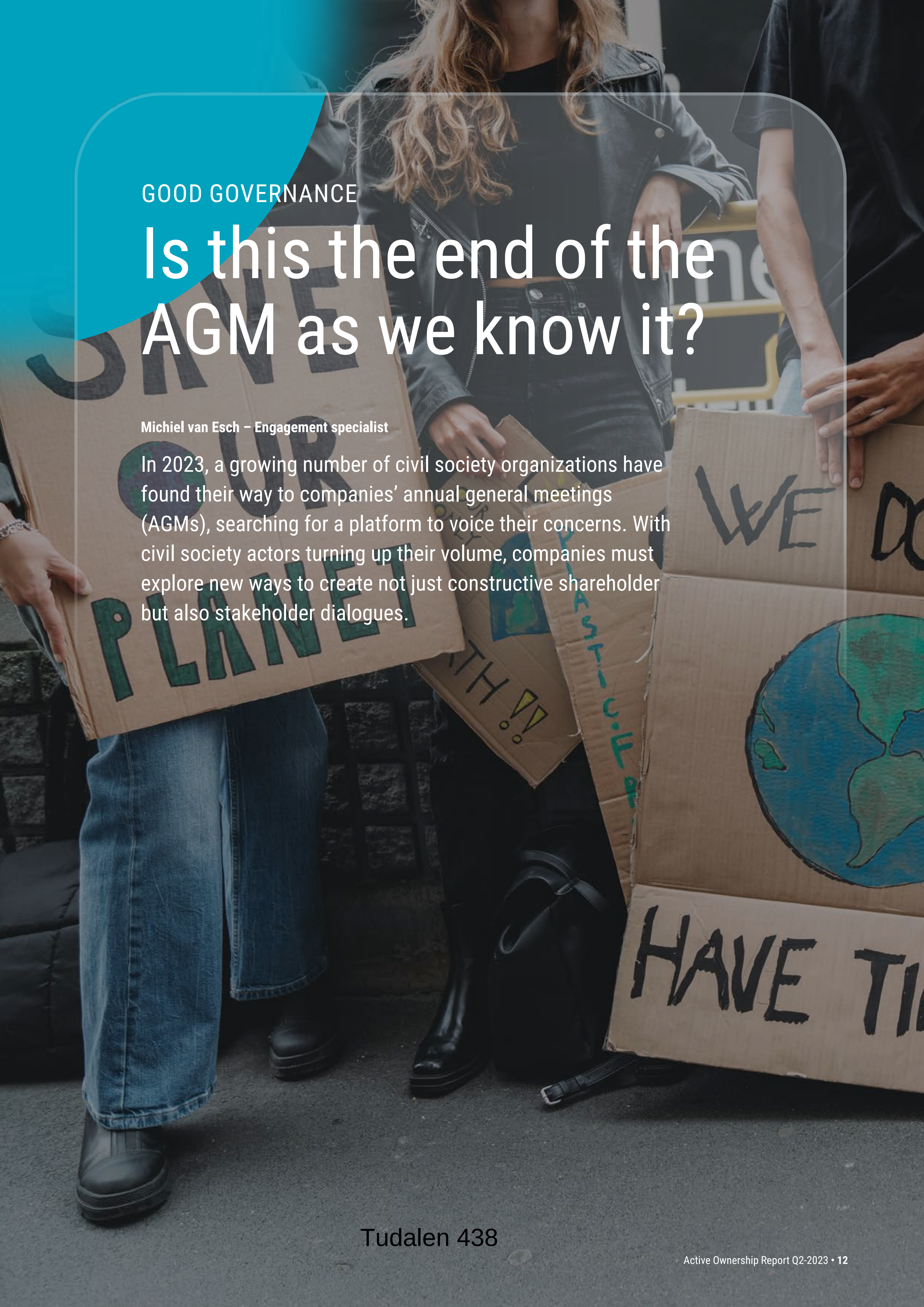
Given the growing number of global conflicts, it has become evident that the engagement theme has gained even greater significance. Consequently, we will enhance our engagement with the companies to demonstrate tangible advancements towards our objectives.

CASE STUDY

BOOKING HOLDINGS

Booking Holdings, the world's largest online travel agency by sales, lists accommodations in conflict areas such as the Occupied Palestinian Territories. Several controversies were highlighted by civil society organizations amongst others, Booking Holdings' lack of a human rights policy and disclosures.

We have been in an open dialogue with Booking since the start of our engagement. Over the last year, the company published a human rights policy aligning with international standards. The policy explicitly includes heightened due diligence requirements on listings located in conflict areas. The company also hired a human rights officer who will be responsible for integrating these commitments and increased its disclosures on its approach to human rights and CAHRA. Going forward, we will focus on Booking Holdings' implementation of its human rights policy.



GOOD GOVERNANCE

Is this the end of the AGM as we know it?

Michiel van Esch – Engagement specialist

In 2023, a growing number of civil society organizations have found their way to companies' annual general meetings (AGMs), searching for a platform to voice their concerns. With civil society actors turning up their volume, companies must explore new ways to create not just constructive shareholder but also stakeholder dialogues.

The AGM season generally creates an opportunity for shareholders to engage investee companies on a range of governance topics. As most companies want to prevent the unwanted surprise of failed resolutions, they engage with larger shareholders or representative organizations well before the meeting to make sure that any contentious issues are laid out in advance. Since most large institutional shareholders vote their shares via proxy (at a distance), the actual meeting doesn't tend to see much debate, and instead is more of a 'rubber-stamping' formality. Institutional investors may still join a meeting to make a public statement, but that seems to be the exception rather than the rule.

However, AGMs at many larger listed companies are getting livelier, particularly due to the participation of shareholders that are not part of that pre-AGM engagement. It is not uncommon for stakeholders of companies including employees, local communities and sustainability focused NGOs to join shareholder meetings and raise concerns. This is especially true at larger international companies entangled in complex societal issues, such as their extraction or use of fossil fuels.

At the AGMs of oil and gas companies, these groups usually ask a higher number of questions than institutional or retail shareholders. During periods of takeovers or restructurings, employees and labor unions also find their way to the AGM to make their voices heard. If non-shareholder stakeholders don't have another channel to effectively to raise their concerns, the AGM can become an annual meeting of stakeholders rather than shareholders.

We saw this happen a lot during the current AGM season. We attended the AGM of Ahold Delhaize in Amsterdam and asked for more substance on tax reporting, a more complete set of sustainability related KPIs for the Dutch retailer's remuneration policy, and clarification around the nomination process for the board.

At Unilever's AGM, we asked about the priorities of the company after the upcoming change in CEO, and whether we can expect reasonable external assurance around the key sustainability metrics in its remuneration policy. We also asked about the company's ambitions to limit its biodiversity impact to neutral or even positive, and what measurement systems the company has for this.

At both AGMs, other stakeholders claimed a significant role for themselves. Belgian labor unions showed up to Dutch retail chain Ahold Delhaize's meeting, and Dutch climate-focused NGO Milieudefensie repeatedly asked for a more ambitious climate target.

At Unilever's AGM, representatives of Milieudefensie also repeatedly asked the same question about climate targets. It meant the meetings took much longer than usual, and several other investors became annoyed by the hold-up. Yet, the meetings were conducted in a safe manner, and still allowed all shareholder to raise their questions and receive replies from management.

This was not the case at other AGMs. ING's meeting was halted by the chair on many occasions due to repeated disruptions. Food was thrown at Volkswagen's board of directors, while over at Shell, a participant stormed the platform on which the board was sitting, visibly frightening several attendees in the room. At Berkshire Hathaway, the Chairman and CEO of the National Legal and Policy Center got very critical and insulting and was removed by security. This change in tone and form was much more persistent this year than at any earlier proxy seasons.

The vast majority of AGMs are though much calmer, as seen at Adyen, Arcadis and Signify. In these cases, managements were also challenged about climate matters, but with both sides politely listening to each others' questions and answers.

The fact that the AGM is a platform where environmental and social and political topics are raised is nothing new, partly driven by the fact that sustainability topics are becoming more important. The observation that the AGM season was livelier than in previous years is perhaps not surprising, as participation was mostly limited to virtual attendance during the Covid pandemic.

This year, participants could finally again join the meetings in the old in-person format and made full use of that opportunity. What is concerning is where the tone of the debate is becoming much more hostile and, in some instances, even violent. Such 'debates' are far from being a dialogue, and increasingly the AGM is becoming just a place to make a point or a

> *“ One thing is certain: stakeholder communication around the future of the AGM needs directors with social antennas and a meeting format fit for the 21st century*

Michiel van Esch

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political statement. This does not lead to common understanding, or compromise or progress in any form; it just makes it clear that there is disagreement. The topics of the conversation rarely have any connection with the vote result or the agenda itself.

The events of the 2023 season might lead to a change in the participation of both company managements and institutional shareholders. Managements might increasingly decide to hold virtual-only AGMs, which we already see at many different US tech companies. We are not in favor of virtual-only AGMs as it provides managements with the opportunity to prioritize questions they are comfortable with, and to limit the opportunity for shareholders to raise concerns.

We also might see institutional shareholders focus on their one-on-one discussions with managements more, as these are often more effective than the AGM. Further reduction of participation of institutional investors during an AGM will not benefit the credibility of the meeting itself, and would reduce its function as the one moment in the year when companies are publicly held to account by their shareholders. But if the credibility of the AGM as a platform is to be maintained, changes are needed to facilitate a constructive conversation.

What changes are necessary is difficult to say, but pre-AGM engagements (or other forms of effective communication) with a larger set of stakeholders than just institutional investors seem a good way forward. There is also a role for the board as the conductor of the meeting beyond just opening the room for questions and sitting through until all questions are answered.

The obvious solution may lie in prioritizing questions that are sent in beforehand and allowing room for follow-up conversations. Hybrid set-ups can also allow for broader participation at an AGM by foreign shareholders. One thing is certain: stakeholder communication around the future of the AGM needs directors with social antennas and a meeting format fit for the 21st century.

PROXY VOTING – MARKET INSIGHT

2023 banking crisis: A cautionary tale of corporate governance

Diana Trif – Engagement specialist

The spring of 2023 was far from serene. The world watched in shock as Silicon Valley Bank (SVB), Signature Bank and First Republic failed in the US, spreading fears of contagion to other regional banks and beyond. Credit Suisse, once a symbol of Swiss financial power and stability, collapsed after years of scandals, and was taken over by its long-time domestic rival UBS in a rushed deal orchestrated by the government.

One question is now on everybody's mind – what went wrong? The simple answer is corporate governance.

In recent years, environmental, social and governance (ESG) factors have gained growing importance. The 'E' and the 'S' have arguably drawn the most attention recently, led by the focus on combating climate change. There is now a growing awareness that effective governance is imperative to long-term ESG success, and that poor corporate governance can have far-reaching consequences for the economy as a whole. Governance – once a more traditional topic for investors – seemed to have gone out of fashion, but every time something goes wrong, investor attention refocuses on it.

Where are we at?

The Federal Reserve's report examining the SVB collapse concluded that the bank failed because of a "textbook case of mismanagement". The regulator found that the directors and management failed to manage risk, noting that the full board was neither adequately informed by management on risk, nor did they hold management accountable for effectively managing this risk. According to the report, the growth of Silicon Valley Bank Financial Group, the holding company of SVB, "far outpaced the abilities of its board of directors and senior management", while executive compensation packages incentivized managers to focus on short-term profit.

Similarly, a report from the Federal Deposit Insurance Corporation (FDIC) concluded that the collapse of Signature Bank was due to "poor management". The regulator noted that "the board of directors and management pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and controls appropriate for the size, complexity and risk profile of the institution."

While the report into the Credit Suisse collapse is yet to be released by the Swiss government, the lender was engulfed in one scandal after another in recent years. Its long list of missteps ranged from accusations of spying to money laundering, and pointed out deep-rooted corporate governance issues. In fact, the 2021 report by the Paul Weiss law firm into the Archegos debacle, in which Credit Suisse lost billions on highly risky financial swaps, reads like a case study of what can go wrong in a firm's corporate governance.

The report revealed no less than "a lackadaisical attitude towards risk and risk discipline; a lack of accountability for risk failures; risk systems that identified acute risks, which were systematically ignored by business and risk personnel; and a cultural unwillingness to engage in challenging discussions or to escalate matters posing grave economic and reputational risk." While the lender rolled out an extensive set of measures to remediate the shortcomings identified, the ensuing events which ultimately led to its demise suggest that these issues were far from being resolved.

What next?

Looking back, the enhancement of corporate governance regulations was often a result of corporate failures. The Sarbanes-Oxley Act was passed in the aftermath of the Enron and WorldCom scandals. The 2003 collapse of Italian food giant Parmalat prompted a reform of insolvency law. We can therefore expect that the unfolding crisis will again trigger regulatory reform.

However, should this reform be the sole focus?

In a recent speech, the European Central Bank's Chair of the Supervisory Board noted the following:

> *" We should abandon the ambition of designing ever-more precise regulations that accurately measure all risks under any circumstances, covering even the most extreme business models and risk configurations. That approach only results in excessive complexity, with burdensome procedures for supervisors and excessive rewards for the few institutions that have the wherewithal to game the system. Instead, we should focus our efforts on empowering supervisory teams, within a strong accountability framework.*

The reality is that a myriad of factors contribute and lead to good governance. It's not only about having experienced directors on the board. It is also about fostering a sound ethical tone at the top and having the right board dynamics, ensuring that directors are engaged, that they challenge management and promote a culture of accountability. It is also about ensuring that shareholders have the proper tools available to hold the board and management accountable.

As shareholders, we are co-owners of many companies, and thus have the right to vote at their shareholder meetings. We use our voting rights with the aim of influencing a company's corporate governance and other relevant investment-related decisions in the best interest of our clients. This ensures that we can hold companies accountable for poor performance across all three dimensions of ESG. Voting can be used to push for basic governance tools and should be used by shareholders to flag their concerns by voting against the appropriate agenda item. Corporate governance only functions well if shareholders make active use of their rights and hold management to account for their performance – something that we still need much more of.

Companies under engagement in 2023

ENVIRONMENT

Biodiversity
Archer-Daniels-Midland Co
Axfood AB
Barry Callebaut AG
Bridgestone Corp
Bunge Ltd
Cie Generale des Etablissements Michelin SCA
Cranswick PLC
Hershey Co/The
JBS S/A
Leroy Seafood Group ASA
Marfrig Global Foods SA
Mondelez International Inc
Ryohin Keikaku Co Ltd
Sappi Ltd
Signify NV
Suzano SA
Top Glove Corp Bhd
Unilever PLC
VF Corp

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group Ltd
Bank of America Corp
Barclays PLC
BNP Paribas SA
Citigroup Inc
DBS Group Holdings Ltd
HSBC Holdings PLC
ING Groep NV
JPMorgan Chase & Co
Sumitomo Mitsui Financial Group Inc

Natural Resource Management
Ambev SA
Callon Petroleum Co
CF Industries Holdings Inc
Continental Resources Inc/OK
Diageo PLC
OCI NV
PepsiCo Inc
Sappi Ltd
Severn Trent PLC
Tronox Holdings PLC
United Utilities Group PLC

Net Zero Carbon Emissions
Anglo American PLC
ArcelorMittal SA
Berkshire Hathaway Inc
BHP Group Ltd
BlueScope Steel Ltd
BP PLC
CEZ AS
Chevron Corp
China National Building Material Co Ltd
CRH PLC
Ecopetrol SA
Enel SpA
Exxon Mobil Corp
Heidelberg Materials AG
Hyundai Motor Co
JFE Holdings Inc
LyondellBasell Industries NV
Marathon Petroleum Corp
Petroleo Brasileiro SA
Phillips 66
PTT Exploration & Production PCL
Rio Tinto PLC
Saudi Arabian Oil Co
Shell PLC
Valero Energy Corp
Vistra Corp
WEC Energy Group Inc

Sound Environmental Management
Alexandria Real Estate Equities Inc
Guangdong Investment Ltd
Hangzhou First Applied Material Co Ltd
LONGi Green Energy Technology Co Ltd

SOCIAL

Diversity and Inclusion
Eli Lilly & Co
Netflix Inc
Oracle Corp
Taiwan Semiconductor Manufacturing Co Ltd
Thermo Fisher Scientific Inc

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Bharat Electronics Ltd
Booking Holdings Inc
Cemex SAB de CV
Fast Retailing Co Ltd
Heidelberg Materials AG
Industria de Diseno Textil SA
PTT Exploration & Production PCL
Sinotruk Hong Kong Ltd
SolarEdge Technologies Inc
Wacker Chemie AG

Labor Practices in a Post Covid-19 World
Accor SA
Delivery Hero SE
InterContinental Hotels Group PLC
Marriott International Inc/MD
Meituan
Uber Technologies Inc
Walmart Inc

Social Impact of Gaming
Activision Blizzard Inc
NCSoft Corp
NetEase Inc
Take-Two Interactive Software Inc
Tencent Holdings Ltd

Sound Social Management
Baidu Inc
Post Holdings Inc
Tencent Holdings Ltd
Tesco PLC
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets
CCR SA
Cosan SA
Coway Co Ltd
CPFL Energia SA
ENN Energy Holdings Ltd
Haier Smart Home Co Ltd
Hyundai Motor Co
Midea Group Co Ltd
Samsung Electronics Co Ltd

Corporate Governance Standards in Asia
Inpex Corp
Resonac Holdings Corp
Rohm Co Ltd
Shin-Etsu Chemical Co Ltd
SK Hynix Inc

Good Governance
Adyen NV
DSM-Firmenich AG
Heineken Holding NV
Koninklijke Ahold Delhaize NV
Signify NV
Unilever PLC

Responsible Executive Remuneration
Aspen Technology Inc
Booking Holdings Inc
Henkel AG & Co KGaA
NIKE Inc
Schneider Electric SE
Tesco PLC
WALT DISNEY CO/THE
Wolters Kluwer NV

VOTING RELATED ENGAGEMENT

AGM engagement 2023
Airbus SE
BAWAG Group AG
BFF Bank SpA
Boeing Co/The
CBRE Group Inc
Cheniere Energy Inc
Deutsche Bank AG
Hana Financial Group Inc
Morgan Stanley
NextEra Energy Inc
Ovintiv Inc
Prysmian SpA
Semen Indonesia Persero Tbk PT
Sociedad Quimica y Minera de Chile SA
Wells Fargo & Co
Xylem Inc/NY

SDGS

SDG Engagement
Adobe Inc
Alphabet Inc
Amazon.com Inc
Amgen Inc
Apple Inc
AutoZone Inc
Banco BTG Pactual SA
Bank of Montreal
Capital One Financial Corp
CBRE Group Inc
CCR SA
Deutsche Boerse AG
eBay Inc
Elanco Animal Health Inc
Electronic Arts Inc
Elevance Health Inc
F5 Inc
Grupo Bimbo SAB de CV
Jeronimo Martins SGPS SA
Meta Platforms Inc
Mr Price Group Ltd
Nasdaq Inc
Neste Oyj
Novartis AG
OTP Bank Nyrt
Rio Tinto PLC
Salesforce Inc
Salmar ASA
Samsung Electronics Co Ltd
Sandvik AB
Sony Group Corp
STMicroelectronics NV
TotalEnergies SE
Union Pacific Corp
United Parcel Service Inc
Volvo AB

GLOBAL CONTROVERSY ENGAGEMENT

Acceleration to Paris
African Rainbow Minerals Ltd
Anhui Conch Cement Co Ltd
Berkshire Hathaway Inc
Caterpillar Inc
Formosa Plastics Corp
ITOCHU Corp
Marubeni Corp
Mitsubishi Corp
Mitsui & Co Ltd
Nippon Steel Corp
POSCO Holdings Inc
SAIC Motor Corp Ltd
Sumitomo Corp
Toyota Industries Corp
WH Group Ltd

Global Controversy Engagement
During the quarter, 12 companies were under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

Palm Oil
MP Evans Group PLC
REA Holdings PLC
Wilmar International Ltd

APPENDIX

Robeco's approach to Active Ownership

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 three different types of corporate engagement with the companies in which we invest;

Value engagement

a proactive engagement approach focusing on long-term environmental, social or corporate governance issues that are financially material or are causing adverse sustainability impacts. Engagements typically last for three years, after which progress against initially set objectives are evaluated, with unsuccessful closures being communicated to clients and investment teams but no divestment decision to follow.

Voting Related AGM engagement: Voting at the Annual General Meetings (AGM) of shareholders offers shareholders the opportunity to provide direct feedback to a company - either in advance or after a company's AGM. These dialogues are not recurring long-term engagements, but unique opportunities to amplify the impact of our voting decisions. Corporate governance as well as other sustainability topics that may arise during a shareholder meeting are covered under this section, if they are not covered in other parts of the engagement program.

SDG engagement

a proactive engagement approach focusing on driving clear and measurables improvements in a company's contribution to one or multiple of the Sustainable Development Goals. The engagement, lasting for three to five years, has its starting point within Robeco's SDG framework, identifying companies with the potential to meet key societal needs and works with timebound milestones to fulfil this potential.

Enhanced engagement

a reactive engagement approach, focusing on companies that severely and structurally breach minimum behavioral norms in areas such as human rights, labor, environment, biodiversity and business ethics, as defined by the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises. If after two to three years, the enhanced engagement does not lead to the desired change, exclusion from the investment universe may be a potential option. Clients may use their own discretion on whether to exclude a company from their investment universe. In all three 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.

More information can be found on our website.

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 can be found on our website.

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/

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 CO_2 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

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 on our website.

Important information

Additional information for US investors
Robeco is considered "participating affiliate" and some of their employees are "associated persons" of Robeco Institutional Asset Management US Inc. ("RIAM US") as per relevant SEC no-action guidance. Employees identified as associated persons of RIAM US perform activities directly or indirectly related to the investment advisory services provided by RIAM US. In those situations these individuals are deemed to be acting on behalf of RIAM US, a US SEC registered investment adviser. SEC regulations are applicable only to clients, prospects and investors of RIAM US. RIAM US is a wholly owned subsidiary of ORIX Corporation Europe N.V. and offers investment advisory services to institutional clients in the US.

Additional information for US Offshore investors – Reg S
The Robeco Capital Growth Funds have not been registered under the United States Investment Company Act of 1940, as amended, nor the United States Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly in the United States or to any US Person. A US Person is defined as (a) any individual who is a citizen or resident of the United States for federal income tax purposes; (b) a corporation, partnership or other entity created or organized under the laws of or existing in the United States; (c) an estate or trust the income of which is subject to United States federal income tax regardless of whether such income is effectively connected with a United States trade or business. In the United States, this material may be distributed only to a person who is a "distributor", or who is not a "US person", as defined by Regulation S under the U.S. Securities Act of 1933 (as amended).

Additional information for investors with residence or seat in Australia and New Zealand
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The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

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ROBECO
The Investment Engineers

Wales Pension Partnership
GLOBAL OPPS EQUITY FUND

ROBECO
The Investment Engineers

Proxy Voting Report

Period: April 01, 2023 - June 30, 2023

Votes Cast	6050	Number of meetings	414
For	5123	With management	5096
Withhold	89	Against management	954
Abstain	0		
Against	676		
Other	162		
Total	**6050**	**Total**	**6050**

In 309 (75%) out of 414 meetings we have cast one or more votes against management recommendation.

General Highlights

2023 Banking Crisis: A cautionary tale of corporate governance
The spring of 2023 was far from serene. The world watched in shock as Silicon Valley Bank (SVB), Signature Bank and First Republic failed in the US, spreading fears of contagion to other regional banks and beyond. Credit Suisse, once a symbol of Swiss financial power and stability, collapsed after years of scandals, and was taken over by its long-time domestic rival UBS in a rushed deal orchestrated by the government.

One question is now on everybody's mind – what went wrong? The simple answer is corporate governance.

In recent years, environmental, social and governance (ESG) factors have gained growing importance. The 'E' and the 'S' have arguably drawn the most attention recently, led by the focus on combating climate change. There is now a growing awareness that effective governance is imperative to long-term ESG success, and that poor corporate governance can have far-reaching consequences for the economy as a whole. Governance – once a more traditional topic for investors – seemed to have gone out of fashion, but every time something goes wrong, investor attention refocuses on it.

Where are we at?

The Federal Reserve's report examining the SVB collapse concluded that the bank failed because of a "textbook case of mismanagement". The regulator found that the directors and management failed to manage risk, noting that the full board was neither adequately informed by management on risk, nor did they hold management accountable for effectively managing this risk. According to the report, the growth of Silicon Valley Bank Financial Group, the holding company of SVB, "far outpaced the abilities of its board of directors and senior management", while executive compensation packages incentivized managers to focus on short-term profit.

Similarly, a report from the Federal Deposit Insurance Corporation (FDIC) concluded that the collapse of Signature Bank was due to "poor management". The regulator noted that "the board of directors and management pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and controls appropriate for the size, complexity and risk profile of the institution."

While the report into the Credit Suisse collapse is yet to be released by the Swiss government, the lender was engulfed in one scandal after another in recent years. Its long list of missteps ranged from accusations of spying to money laundering, and pointed out deep-rooted corporate governance issues. In fact, the 2021 report by the Paul Weiss law firm into the Archegos debacle, in which Credit Suisse lost billions on highly risky financial swaps, reads like a case study of what can go wrong in a firm's corporate governance.

The report revealed no less than "a lackadaisical attitude towards risk and risk discipline; a lack of accountability for risk failures; risk systems that identified acute risks, which were systematically ignored by business and risk personnel; and a cultural unwillingness to engage in challenging discussions or to escalate matters posing grave economic and reputational risk." While the lender rolled out an extensive set of measures to remediate the shortcomings identified, the ensuing events which ultimately led to its demise suggest that these issues were far from being resolved.

What next?

Looking back, the enhancement of corporate governance regulations was often a result of corporate failures. The Sarbanes-Oxley Act was passed in the aftermath of the Enron and WorldCom scandals. The 2003 collapse of Italian food giant Parmalat prompted a reform of insolvency law. We can therefore expect that the unfolding crisis will again trigger regulatory reform. However, should this reform be the sole focus?

In a recent speech, the European Central Bank's Chair of the Supervisory Board noted the following:

"We should abandon the ambition of designing ever-more precise regulations that accurately measure all risks under any circumstances, covering even the most extreme business models and risk configurations. That approach only results in excessive complexity, with burdensome procedures for supervisors and excessive rewards for the few institutions that have the wherewithal to game the system. Instead, we should focus our efforts on empowering supervisory teams, within a strong accountability framework."

The reality is that a myriad of factors contribute and lead to good governance. It's not only about having experienced directors on the board. It is also about fostering a sound ethical tone at the top and having the right board dynamics, ensuring that directors are engaged, that they challenge management and promote a culture of accountability. It is also about ensuring that shareholders have the proper tools available to hold the board and management accountable.

As shareholders, we are co-owners of many companies, and thus have the right to vote at their shareholder meetings. We use our voting rights with the aim of influencing a company's corporate governance and other relevant investment-related decisions in the best interest of our clients. This ensures that we can hold companies accountable for poor performance across all three dimensions of ESG. Voting can be used to push for basic governance tools and should be used by shareholders to flag their concerns by voting against the appropriate agenda item. Corporate governance only functions well if shareholders make active use of their rights and hold management to account for their performance – something that we still need much more of.

Market Highlights

Key Trends in Japan's Proxy Voting Season: Embracing ESG, Diversity, and Shareholder Activism

This year's proxy voting season in Japan has emerged as a pivotal time for shareholders to influence corporate governance and advocate for change. Several notable trends have emerged, highlighting a shifting landscape that prioritizes environmental, social, and governance (ESG) factors, pushes for greater diversity and inclusion, and demands stronger shareholder rights and accountability.

In line with global trends, shareholders are placing increased emphasis on ESG considerations in many Japanese companies. They call for greater transparency and accountability, particularly on matters related to climate change, diversity, and sustainability. For example, at the recent shareholder meeting of a Japanese "mega-bank", shareholders voted on resolutions requesting the company to issue and disclose a transition plan to align its lending and investment with the Paris Agreement. Additionally, Japanese companies' shareholders assert their rights and demand stronger participation in the decision-making process. A record number of shareholder proposals have been submitted to companies, urging improvements in governance and higher returns. These proposals encompass a range of initiatives, including calls for share buybacks, and increased dividends. Robeco assesses all these shareholder proposals case by case, and we are generally supportive of proposals that aim to increase transparency on material ESG issues and enhance long-term shareholder value creation. Nevertheless, when reviewing the merits of these shareholder proposals, we identified numerous instances where the text of the resolution was overly prescriptive, and therefore decided not to support it.

Moreover, there has been a growing emphasis in Japan on greater gender diversity in corporate boards. Shareholders are increasingly advocating for concrete targets to be integrated into listing rules and the Corporate Governance Code, signaling their commitment to promoting diverse and inclusive leadership. The Asian Corporate Governance Association (ACGA), of which Robeco is a member, has recommended changes to the Corporate Governance Code over the following years to encourage both Prime and non-Prime Market-listed companies to enhance the role of women on boards and in management. Prime Minister Fumio Kishida's endorsement of a target to fill at least 30% of executive officer positions with women by 2030 for all Prime Market companies has set an ambitious goal. The Prime Minister's remarks have raised the bar and highlighted the importance of female leaders for the long-term sustainability of the Japanese economy.

To conclude, this proxy voting season in Japan has witnessed a significant shift in shareholder priorities, with ESG considerations, diversity, shareholder rights, governance reforms, and long-term value creation at the forefront. Shareholders continue to leverage their voting power to drive positive change, promote transparency, and hold companies accountable. These trends are reshaping the Japanese corporate landscape as shareholders actively contribute to the evolution of corporate governance practices and pave the way for a more sustainable and inclusive future.

Voting Highlights

Walt Disney Co (The) - 04/03/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal regarding Report on Political Expenditures and Values Congruency, and Anti-ESG Shareholder Proposals.

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. It operates through two segments, Disney Media and Entertainment Distribution; and Disney Parks, Experiences and Products.

Several proposals were presented at The Walt Disney Company's Annual General Meeting (AGM), addressing both management matters and shareholder resolutions focused on social and governance issues.

Regarding the advisory vote on executive compensation, Robeco voted against the executive remuneration report. This decision was based on concerns regarding the height of the total compensation and issues with the remuneration package structure. Specifically, the Long-Term Incentive (LTI) plan raised concerns due to the short performance period of the adjusted ROIC, which is measured over three one-year performance periods with targets set annually, and the insufficient disclosure of the performance goals. Furthermore, the one-off awards granted outside of the scheme, particularly for the former chief corporate affairs officer whose employment contract lasted only for a few months, raised additional issues. The proposal received 86% support from shareholders.

With regard to the shareholder proposal regarding the Report on Political Expenditures, Robeco voted favorably. This decision was based on the belief that companies should review their political spending and lobbying activities to ensure alignment with their sustainability strategies and the long-term interests of investors and relevant stakeholders. Robeco also noted that The Walt Disney Company's current disclosures could be enhanced, and providing detailed disclosure would mitigate risks, especially considering the current political environment and the company's involvement in the Don't Say Gay Controversy.The proposal received 36% support from shareholders.

The AGM agenda also featured anti-ESG shareholder proposals, including the shareholder proposal regarding the Report on Corporate Operations with China and the shareholder proposal regarding Charitable Contributions Disclosure. Robeco voted against both. The rationale behind this decision was the concern that the objective of these proposals was to hinder the company's ESG efforts. After closely examining the proponents' supporting statements, Robeco concluded that the proposals were driven by political activism promoting anti-ESG rhetoric. Both resolutions received around 7% support from the shareholders.

BP plc - 04/27/2023 - United Kingdom
Proposals: Remuneration Report, Remuneration Policy, Director Elections, Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions.

BP plc engages in the energy business worldwide.

BP’s 2023 AGM occurred amidst high scrutiny over the company’s announcement that it would backtrack on its climate ambitions. BP had garnered significant support (over 85%) for its previous climate transition plan at the 2022 AGM, but decided to not put the revised plan up for a vote at the 2023 AGM. We assessed this as a material governance concern and concluded that a vote Against the chair of the board is warranted. The opposition against the chairman's election stood at ca. 10%.

Oil and gas majors, including BP, have been facing high criticism over concerns that their executives are cashing in on Russia's invasion of Ukraine, which led to soaring oil and gas prices. Our analysis of the company's remuneration report and policy was based on our proprietary remuneration assessment framework, which captures a wide variety of factors across three key components – pay structure, pay magnitude, and pay transparency. While recognizing the shortcomings of the remuneration report and policy, on balance, we concluded that these were supportable. The remuneration report was supported by 82% of the votes cast, while the policy garnered support from 94% of the votes cast.

Notably, Dutch shareholder group Follow This filed a proposal at the meeting, requesting that the company align its existing 2030 Scope 3 emissions reduction aims with the goal of the Paris Climate Agreement. The proposal specified that the strategy to achieve the alignment is "entirely up to the board." Given that we maintain our concerns regarding the company's Scope 3 emissions reduction targets, we voted For the shareholder proposal. The resolution was supported by 17% of the votes cast.

Texas Instruments Inc. - 04/27/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Report on Customer Due Diligence.

Texas Instruments Incorporated designs, manufactures, and sells semiconductors to electronics designers and manufacturers in the United States and internationally. It operates in two segments, Analog and Embedded Processing.

The company's 2023 Annual General Meeting (AGM) featured several routine agenda items and two shareholder proposals. Two of these items were particularly noteworthy, namely the Advisory Vote on Executive Compensation and a Shareholder Proposal Regarding a Report on Customer Due Diligence.

Upon analyzing the company's executive remuneration proposal, we identified significant issues regarding the total height of the compensation awarded to the CEO and the overarching structure of the remuneration policy. More specifically, we were concerned that the vast majority of the total payout was awarded through the company's Long-Term Incentive plan (LTI), which is not subject to performance criteria. In addition, the remaining awards connected to the short-term incentive plan (STI) were largely discretionary, and altogether these structural elements created a poor alignment of pay with performance. Due to our aforementioned concerns, we voted Against the proposal, which received ca. 85% support from shareholders.

Moreover, the Shareholder Proposal Regarding a Report on Customer Due Diligence was particularly noteworthy due to the context behind it and its connection with the Russia-Ukraine war. A report from Statewatch NGO, the Economic Security Council of Ukraine, and B4Ukraine was submitted to the UN Independent International Commission of Inquiry on Ukraine in late September 2022, which pointed towards evidence that products from Western Multinationals, including Texas Instruments, were found in Russian weapons used in the invasion. In light of this report, the shareholder proponent requested that the company commission an independent third-party report on Texas Instruments' (TI) due diligence process to determine whether its products or services contribute to or are linked to violations of international law. This proposal was also featured in ShareAction's Resolutions to Watch for 2023 list. We supported the proposal as we determined that it was sensible and material and that additional disclosures around this issue would benefit the company's stakeholders. The shareholder proposal was met with ca. 23% of votes For, which shows considerable support from shareholders.

Lilly(Eli) & Co - 05/01/2023 - United States
Proposals: Shareholder Proposal Regarding Lobbying Report, Shareholder Proposal Regarding Diversity and Inclusion Report, and Shareholder Proposal regarding Extended Patent Exclusivities and Application for Secondary and Tertiary Patents.

Eli Lilly and Company discovers, develops, and markets human pharmaceuticals worldwide. The company is a leader in the pharmaceutical industry and focuses on developing innovative treatments and improving patient outcomes.

Besides the usual corporate governance-focused agenda items, this year there were also six shareholder resolutions focusing on governance and social topics. One notable shareholder proposal that was also included in last year's AGM agenda requested that the company report annually on the congruence of its political contributions with its corporate values. After reviewing the proposal's spirit and the company's performance on the topic, we decided to support it. Additional disclosure on the company's political spending activities would allow shareholders to assess the risks concerning the company's payments for lobbying purposes and ensure those are aligned with the company's commitments and policies. The resolution received 31% support from shareholders, similarly to last year.

Another noteworthy shareholder proposal requested the company to publish a report assessing its diversity, equity, and inclusion efforts. Robeco voted in favor of this proposal, emphasizing the importance of fostering a diverse and inclusive workforce and leadership team. Our vote decision also aligns with our engagement efforts with the company on this topic. The resolution received 27% support from shareholders, reflecting considerable interest from investors for Eli Lilly & Co. to continue promoting diversity in all aspects of its operations.

With respect to the shareholder proposal regarding Extended Patent Exclusivities, this proposal aimed to address concerns about the company's patent strategies and the potential impact on access to affordable medications. While the spirit of the resolution is supportive, after careful consideration and assessing the company's performance on the topic, we decided to vote against it. The proposal received only 10% shareholder support, indicating that investors are relatively satisfied with the company's current approach to patent exclusivities and the risks associated with secondary and tertiary applications.

American Express Co. - 05/02/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal regarding Regarding Report on Risks from Abortion-Related Information Requests.

American Express Company, together with its subsidiaries, provides charge and credit payment card products, and travel-related services worldwide.

At the company's 2023 Annual General Meeting (AGM), shareholders had the opportunity to vote on multiple striking resolutions. Two notable proposals were the Remuneration Report and a Shareholder Proposal Regarding a Report on Risks from Abortion-Related Information Requests.

With respect to our vote on the executive remuneration package, Robeco voted Against. This decision was driven by concerns over the excessive nature of the compensation and its impact on shareholders. We were also concerned that the retention awards included in the package lacked proper structure and thus failed to provide sufficient incentives for sustained long-term performance. The proposal received 54% support from shareholders, signaling a strong message to the company about investors' disapproval of their remuneration practices.

Regarding the reproductive-health shareholder resolution, the proposal requested the company to report on any known and potential risks of fulfilling customer information requests to enforce laws criminalizing abortion. Robeco decided to support this resolution, which received 11.5% support from shareholders. The decision was motivated by the desire to promote transparency on material Environmental, Social, and Governance (ESG) issues. We recognize the importance of addressing risks associated with fulfilling information requests related to abortion, and we acknowledge that ongoing developments in the abortion debate and related laws can pose risks for the company. Therefore, we believe that shareholders can benefit from increased disclosures.

Amazon.com Inc. - 05/24/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Report on Customer Due Diligence.

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions through online and physical stores in North America and internationally.

Amazon's 2023 AGM agenda included a series of management proposals covering director elections, the auditor's ratification, executive compensation, an amendment to the stock plan, and a record of 18 shareholder proposals. This exceeded the 2022 record of 15 shareholder proposals, highlighting that investors are directing a high level of scrutiny to Amazon over a wide variety of ESG issues. Two proposals were particularly noteworthy.

The first was co-filed by Robeco and requested that Amazon commission a report assessing its customer due diligence process to determine whether customers' use of its products and services with surveillance, computer vision, or cloud storage capabilities contributes to human rights violations. The proposal received 34% support, which equates to over 41% support from independent shareholders if the 12.3% shareholding of the Executive Chairman and other Amazon board members is excluded from the calculation. This represents the fourth-largest level of support received by a shareholder proposal at Amazon's 2023 AGM, indicating that the company's customer due diligence on human rights is deemed a material topic for shareholders.

At the 2022 AGM, Amazon's Say-on-Pay proposal was met with high opposition (44%). We voted Against the resolution at the previous AGM and concluded that the company did not implement any material changes in response to the dissent. Most notably, the company does not grant any performance-based long-term incentives under its compensation plan and continues to grant significant one-off awards to executives; in 2022, it awarded a discretionary award with a grant date fair value of over USD 31 million, while in 2021, the value of the one-off grants awarded to executives stood at over USD 350 million. We have significant concerns that the company fails to align pay and performance and, therefore, once again voted Against the Say-on-Pay proposal, which was opposed by 32% of the votes cast at the meeting.

TotalEnergies SE - 05/26/2023 - France
Proposals: Opinion on 2023 Sustainability and Climate Progress Report, Amendments to Articles Regarding the Suppression of Double Voting Rights, Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement.

TotalEnergies SE operates as an integrated oil and gas company worldwide. The company operates through four segments: Integrated Gas, Renewables & Power; Exploration & Production; Refining & Chemicals; and Marketing & Service.

TotalEnergies' 2023 AGM drew significant scrutiny after the company refused to table a binding climate-related shareholder resolution at the 2022 AGM. This year, a similar yet non-binding shareholder proposal was included on the agenda. This proposal requested that the company align its existing 2030 Scope 3 emissions reduction targets with the goal of the Paris Climate Agreement and specified that the strategy to achieve the alignment is “entirely up to the board.” Given that we maintain concerns regarding the company’s climate strategy, we voted For the shareholder proposal, which won significant support (30%).

In addition, at the 2023 AGM, the company asked for shareholder approval on its 2023 Sustainability and Climate Progress Report. We assessed the company’s climate strategy based on our proprietary Say-on-Climate framework developed for the oil and gas sector, including key components such as greenhouse gas targets and capital expenditure. We identified a series of concerns, most notably with regard to the company’s short- and medium-term targets, which are not adequately ambitious. As the company’s strategy did not pass our framework, we voted Against the proposal. 11% of the votes cast were Against this resolution.

Finally, the AGM agenda also included an item concerning the approval of an article amendment eliminating the provision of double voting rights for long-term shareholders. As we consider the adoption of the “one share, one vote” principle best practice, we voted For the proposed amendment, which won near-unanimous support at the meeting (99.78%).

Meta Platforms Inc - 05/31/2023 - United States
Proposals: Shareholder Proposal Regarding Recapitalization, Shareholder Proposal Regarding Report on Risks from Abortion-Related Information Requests.

Meta Platforms, Inc. engages in the development of products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and wearables worldwide.

The company’s 2023 AGM featured several shareholder proposals, addressing various topics ranging from governance practices and lobbying disclosures to environmental and social issues.

Similarly to last year, shareholders requested that the company initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share. Notably, the company’s CEO maintains majority control despite owning approximately 14% of shares outstanding. Meta’s current ownership structure means that minority shareholders are entitled to disproportionately fewer voting rights and cannot reasonably hold management accountable for their actions, as the controlling shareholder largely determines voting outcomes. We supported the proposal because we believe that allowing one vote per share would considerably improve minority shareholder representation and act as a safeguard by providing them with a more significant voice on voting matters. This proposal received ca. 28% support from shareholders.

Another noteworthy shareholder proposal requested that the company issue a report assessing the feasibility of diminishing the extent that the company will be a target of abortion-related law enforcement requests. Following the revocation of constitutional abortion rights in the US, personal digital data can be used to enforce laws that ban or restrict abortion access. Meta is subject to receiving such data requests from law enforcers, as was the case in 2022 when the company complied with a police warrant demanding access to private messages from a mother facing felony charges for allegedly helping her daughter terminate a pregnancy. As a result, the company was under significant criticism and is likely to continue receiving similar warrants as more states prosecute abortion-related crimes. We voted For the proposal, as we believe that the company and its stakeholders would benefit from an assessment of whether Meta can better avoid similar controversies in the future. The proposal was met with ca. 10% support.

Alphabet Inc - 06/02/2023 - United States
Proposals: Election of Directors, Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Human Rights Impact Assessment, Shareholder Proposal Regarding Assessment of Audit and Compliance Committee.

Alphabet Inc. offers various products and platforms in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. It operates through Google Services, Google Cloud, and Other Bets segments.

On June 2, Alphabet's Annual General Meeting (AGM) featured 13 shareholder proposals (SHPs) focusing on a wide range of Environmental, Social, and Governance (ESG) issues. As in previous years, none of these resolutions passed due to the company's multi-class share structure, which allows insiders to hold a majority of the voting power and largely determine voting outcomes. This is not in the best interests of shareholders and it is a deviation from best governance practices which, together with the fact the proposed composition of the Board of Directors did not reach the minimum requirement of 30% gender diversity, informed our vote Against the election of the Chair of the Board, who also chairs the Governance and Nomination Committees. Additionally, due to multiple concerns regarding the company's pay practices, such as discretionary annual bonus awards and the lack of sufficient recovery provisions, we also did not support the advisory vote on executive compensation.

An SHP that Robeco co-filed last year came back on the agenda this year, requesting the company to publish an independent third-party human rights impact assessment examining the human rights impacts of Google's targeted advertising. Given the Company's prominent role in the internet landscape, Alphabet plays a crucial role in ensuring the integrity of the information on its platform. Moreover, allowing any form of human rights violations on its platforms could lead to significant legal, reputational, and operational risks. For these reasons, we supported the resolution again this year.

Another notable SHP on the agenda requested the Board to commission an independent assessment of the role of its Audit and Compliance Committee in ensuring effective Board oversight, above and beyond legal compliance, of material risks to public well-being from company operations. In Alphabet's case, we noted that the Audit Committee is tasked with the oversight of a wide range of major risk exposures. Given the size and scope of the company's operations, the numerous controversies and lawsuits faced by the company, and the relevance for all its stakeholders, we are concerned that the committee might be overtasked with responsibilities. An independent assessment of the committee could help Alphabet and investors to ensure all risks are appropriately overseen and addressed. Therefore, we supported the resolution, which received approximately 8% support.

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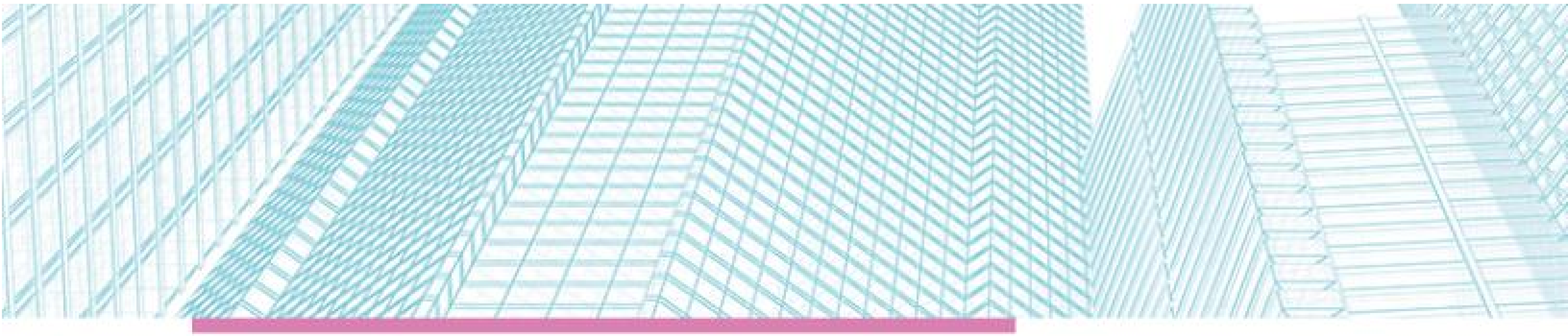
Mae'r dudalen hon yn wag yn bwrpasol

Wales Pension Partnership
Emerging Markets Fund

ROBECO
The Investment Engineers



Proxy Voting Report

Period: April 01, 2023 - June 30, 2023

Votes Cast	**3525**	**Number of meetings**	**280**
For	2906	With management	2833
Withhold	11	Against management	692
Abstain	0		
Against	603		
Other	5		
Total	**3525**	**Total**	**3525**

In 190 (68%) out of 280 meetings we have cast one or more votes against management recommendation.

General Highlights

2023 Banking Crisis: A cautionary tale of corporate governance
The spring of 2023 was far from serene. The world watched in shock as Silicon Valley Bank (SVB), Signature Bank and First Republic failed in the US, spreading fears of contagion to other regional banks and beyond. Credit Suisse, once a symbol of Swiss financial power and stability, collapsed after years of scandals, and was taken over by its long-time domestic rival UBS in a rushed deal orchestrated by the government.

One question is now on everybody's mind – what went wrong? The simple answer is corporate governance.

In recent years, environmental, social and governance (ESG) factors have gained growing importance. The 'E' and the 'S' have arguably drawn the most attention recently, led by the focus on combating climate change. There is now a growing awareness that effective governance is imperative to long-term ESG success, and that poor corporate governance can have far-reaching consequences for the economy as a whole. Governance – once a more traditional topic for investors – seemed to have gone out of fashion, but every time something goes wrong, investor attention refocuses on it.

Where are we at?

The Federal Reserve's report examining the SVB collapse concluded that the bank failed because of a "textbook case of mismanagement". The regulator found that the directors and management failed to manage risk, noting that the full board was neither adequately informed by management on risk, nor did they hold management accountable for effectively managing this risk. According to the report, the growth of Silicon Valley Bank Financial Group, the holding company of SVB, "far outpaced the abilities of its board of directors and senior management", while executive compensation packages incentivized managers to focus on short-term profit.

Similarly, a report from the Federal Deposit Insurance Corporation (FDIC) concluded that the collapse of Signature Bank was due to "poor management". The regulator noted that "the board of directors and management pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and controls appropriate for the size, complexity and risk profile of the institution."

While the report into the Credit Suisse collapse is yet to be released by the Swiss government, the lender was engulfed in one scandal after another in recent years. Its long list of missteps ranged from accusations of spying to money laundering, and pointed out deep-rooted corporate governance issues. In fact, the 2021 report by the Paul Weiss law firm into the Archegos debacle, in which Credit Suisse lost billions on highly risky financial swaps, reads like a case study of what can go wrong in a firm's corporate governance.

The report revealed no less than "a lackadaisical attitude towards risk and risk discipline; a lack of accountability for risk failures; risk systems that identified acute risks, which were systematically ignored by business and risk personnel; and a cultural unwillingness to engage in challenging discussions or to escalate matters posing grave economic and reputational risk." While the lender rolled out an extensive set of measures to remediate the shortcomings identified, the ensuing events which ultimately led to its demise suggest that these issues were far from being resolved.

What next?

Looking back, the enhancement of corporate governance regulations was often a result of corporate failures. The Sarbanes-Oxley Act was passed in the aftermath of the Enron and WorldCom scandals. The 2003 collapse of Italian food giant Parmalat prompted a reform of insolvency law. We can therefore expect that the unfolding crisis will again trigger regulatory reform. However, should this reform be the sole focus?

In a recent speech, the European Central Bank's Chair of the Supervisory Board noted the following:

"We should abandon the ambition of designing ever-more precise regulations that accurately measure all risks under any circumstances, covering even the most extreme business models and risk configurations. That approach only results in excessive complexity, with burdensome procedures for supervisors and excessive rewards for the few institutions that have the wherewithal to game the system. Instead, we should focus our efforts on empowering supervisory teams, within a strong accountability framework."

The reality is that a myriad of factors contribute and lead to good governance. It's not only about having experienced directors on the board. It is also about fostering a sound ethical tone at the top and having the right board dynamics, ensuring that directors are engaged, that they challenge management and promote a culture of accountability. It is also about ensuring that shareholders have the proper tools available to hold the board and management accountable.

As shareholders, we are co-owners of many companies, and thus have the right to vote at their shareholder meetings. We use our voting rights with the aim of influencing a company's corporate governance and other relevant investment-related decisions in the best interest of our clients. This ensures that we can hold companies accountable for poor performance across all three dimensions of ESG. Voting can be used to push for basic governance tools and should be used by shareholders to flag their concerns by voting against the appropriate agenda item. Corporate governance only functions well if shareholders make active use of their rights and hold management to account for their performance – something that we still need much more of.

Disclaimer

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WALES PENSION PARTNERSHIP
JOINT GOVERNANCE COMMITTEE

Wednesday 19th July 2023

PRESENT: Councillor T. Palmer (Chair)

Councillors:
C. Weaver, M. Lewis, P. Lewis, M. Norris, E. Williams and N. Yeowell

O. Richards – Scheme Member Representative (Co-opted non-voting member)

The following officers were in attendance:
L. Rees-Jones – Joint Committee Monitoring Officer (CCC)
C. Lee – Corporate Director of Resources (CoC)
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)
C. Hurst – Pension Fund Manager (PCC)
D. Jones-Thomas – Investment Manager (GCC)
P. Griffiths – Director Finance and Improvement (RCT)
D. Fielder – Deputy Head of Clwyd Pension Fund (FCC)
A. Bull – Head of Pensions (TCC)
A. Parnell – Treasury & Pensions Investment Manager (CCC)
T. Williams – Senior Financial Services Officer (CCC)
E. Evans – Member Services Officer (CCC) [Assisting]
A. Eynon – Simultaneous Translator (CCC)

Also in attendance to present reports:
R. Barrack – Hymans Robertson
K. Dickson – Hymans Robertson
I. Campbell – Hymans Robertson
R. Thornton – Link Fund Solutions
K. Midl – Link Fund Solutions
J. Zealander - Link Fund Solutions
A. Samson– Robeco
J. Leggate – Russell Investments
T. Paik – Russell Investments
M. Buchannan – Russell Investments
J. Blewitt – Audit Wales
D. Joyce – Northern Trust

Also present as observers:
M. Falconer **–** Pension Manager (CoC)
L. Grey – Graduate Pensions Officer (TCC)
Y. Keitch – Principal Accountant (RCT)
G. Watkins – Revenue Services Manager (CoC)
I. Guy – Deputy Scheme Member Representative (Reserve)

Virtual Meeting : 10.50 am - 12.54 pm

1. **APPOINTMENT OF CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR**

UNANIMOUSLY RESOLVED that Councillor Ted Palmer be appointed Chair of the Joint Governance Committee for the forthcoming calendar year.

The outgoing Chair was thanked for 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 Elwyn Williams be appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.

3. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Stephen Churchman (Gwynedd County Council) and Chris Moore (Carmarthenshire County Council).

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. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. N. Yeowell	All agenda items	He is a member of the Greater Gwent Pension Fund
Cllr. M. Norris	All agenda items	He is a member of the RCT Pension Fund
Cllr. T. Palmer	All agenda items	His partner and daughter are members of 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 29 MARCH 2023**

RESOLVED that the minutes of the Joint Governance Committee meeting held on 29th March 2023 be signed as a correct record.

6. ANNUAL RETURN / AUDIT 2023

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Host Authority presented the audited Annual Return for 2022/23. 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 2022/23. 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 2022/23 Annual Return be received;
6.2 That the Audited Annual Return for 2022/23 be approved;
6.3 That the Unaudited full Statement of Accounts for 2022/23 be approved.

7. HOST AUTHORITY UPDATE

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, 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.

The Joint Committee were also informed that the pooling consultation was published on 11 July 2023 with a consultation period of 12 weeks to 2 October 2023. The WPP will be providing a pool response and the CAs were urged to provide individual responses.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

8. RISK REGISTER Q2 2023 REVIEW

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q2 2023 Review. During the last quarter the Officer Working Group had undertaken a review of the register, looking at the second half of the Governance and Regulation section, risks G.7 to G.14. The report summarised the review outcomes of each risk.

The Joint Committee were informed that another risk had been added, risk G.15 – the WPP is not prepared for the outcomes of any consultation or regulatory change. The rating will be monitored and discussed on a regular basis.

UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved.

9. ANNUAL POLICY REVIEWS

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, 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 on the following policies:-

- Climate Risk Policy
- Voting Policy (Stewardship Policy)

An annual review of these policies had taken place and the updated policies required approval by the JGC.

Hymans have reviewed the work completed in line with the commitments set out in the RI Policy and Climate Risk Policy and highlighted some key areas for activity/improvement over 2023/24.

UNANIMOUSLY RESOLVED
9.1 that the updated policies, as detailed above, be approved.
9.2 that the RI and Climate Risk Annual progress update be noted

10. OPERATOR UPDATE - Q1 2023 REVIEW

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, 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 progress of the Wales Pension Partnership in relation to the following key areas:

- Market updates;
- Current Fund Holdings;
- Sub fund updates and other initiatives;
- Corporate Update and Engagement.

UNANIMOUSLY RESOLVED that the Operator Update be received.

11. PERFORMANCE REPORT AS AT 31 MARCH 2023

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, 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 31st March, 2023. It was noted that the sub funds had outperformed/ underperformed against their respective benchmarks, as follows:

- Global Opportunities – outperformed by 1.36% gross / 1.04% net
- Global Growth – underperformed by 0.40% gross / 0.81% net
- Emerging Markets – outperformed by 0.92% gross / 0.47% net
- UK Opportunities – underperformed by 0.83% gross / 1.23% net
- Global Government Bond – outperformed by 1.63% gross / 1.40% net
- Global Credit – outperformed by 0.15% gross / underperformed 0.02% net

The MAC and ARB funds did not meet their targets. The UK Credit fund exceeded its target.

UNANIMOUSLY RESOLVED that the Performance Reports of the sub-funds, as detailed above, as at 31st March, 2023 be noted.

12. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED

12.1 that the Deputy Scheme Member representative remain in the meeting during debate of exempt reports and permission be granted for the forthcoming calendar year;

12.2 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 items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

13. SECURITIES LENDING PERFORMANCE REVIEW 2022/23

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, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a report on the Securities Lending Performance Review for 2022/23.

UNAIMOUSLY RESOLVED that the Securities Lending Performance Review 2022/23 be noted.

14. ROBECO ENGAGEMENT SERVICE - Q1 2023 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, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received the Engagement Report for Q1 of 2023.

UNANIMOUSLY RESOLVED that the Engagement Report for Q1 of 2023 be noted.

15. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 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, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received the Responsible Investment and Climate Risk reports in respect of the following funds:-

- Global Growth
- Global Opportunities

UNANIMOUSLY RESOLVED that the Responsible Investment and Climate Risk Reports for Q1 of 2023 be noted.

16. WPP SUB FUND REVIEW

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 adversely impact upon the Pension Fund by potentially prejudicing the procurement process.

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a sub fund review of WPP's UK Opportunities Equity Fund, Global Credit Fund and Global Government Bond Fund.

UNANIMOUSLY RESOLVED that the WPP Sub Fund Review be received.

17. OPERATOR PROCUREMENT - EVALUATION CRITERIA

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 adversely impact upon the Pension Fund by potentially prejudicing the procurement process.

[NOTE: Councillors M. Lewis, C. Weaver, P. Lewis, N. Yeowell, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered a report regarding the evaluation criteria for the operator procurement which would be sent to all eight constituent authorities for written approval.

RESOLVED that the Operator Procurement – Evaluation Criteria, be agreed and sent to all eight constituent authorities for written approval.

CHAIR **DATE**

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 30 August 2023
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 2023, and are attached as appendices to this report.

Economy and Markets

- Inflation and central bank policy were once again key market drivers over the quarter, as both the Federal Reserve and the Bank of England raised interest rates.
- Headline inflation remains high but has seen lower increases in the UK, with CPI at 8.7% for the year to May and 7.9% in the year to June.
- Global equities posted strong returns over the quarter returning +3.4%, whilst fixed interest and index-linked gilts detracted -8.3% and -7.8%, respectively.
- Sub investment grade credit markets performed well as high-yield market spreads tightened, helping to drive positive total returns.

Performance Monitoring Report

- Over the three months to 30 June 2023, the Fund's total market value decreased very modestly in value by £2.9m to £2,286.3m.
- Fund performance over 3 months, 12 months, 3 years and 5 years; +0.3%, +1.4% +6.0% p.a. and 4.8% p.a., respectively.
- Fund performance is ahead of the composite benchmark for the 3 year period, though behind in relation to the 3 month, 12 month and 5 year periods.
- The CRMF mandate remains overweight to its target, whilst the physical equity positions remain underweight. The first stage of implementation into the new WPP Sustainable Equity Fund was successful. A plan is now being finalised to increase the Fund's exposure towards the agreed 15% target. All positions are within target ranges as at quarter end.

The Fund's Officers and advisers review performance of the Fund on a monthly basis.

RECOMMENDATIONS	
1	That the performance of the Fund over periods to the end of June 2023 are noted along with the Economic and Market update.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	**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: • **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators • **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets • **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period • **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
1.02	The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter. Overall, this led to investor optimism and thus positive performance for risk assets whereas government bond performance was negative because of increasing rates. In the UK, quarter-on-quarter GDP was marginally positive to the end of March 2023, after eking out a similar gain in the previous quarter. Headline inflation in the UK fell to 8.7% in May from 10.1% in March, by far the highest rate among large, developed economies. The Bank of England increased rates from 4.25% to 5%, initially increasing 25bps in May before hastening the pace of increases back to 50bps in June following a stronger than expected inflation print. UK real yields rose across the curve, led by the short end as the Bank of England remained in its hiking cycle. Real yields, for all maturities remain in positive territory. Market based measures of inflation expectations, in the form of breakeven inflation, rose over the quarter. The UK 10-year breakeven rate rose to 3.9%, c. 9 basis points ('bps') higher than at the end of last quarter. However, this masks some of the volatility witnessed in the quarter, as 10yr breakeven rates fell to 3.5% intra quarter. Market based measures of inflation expectations for the US fell over the quarter.

	Global equities returned 3.4% in sterling terms and 6.7% in local currency terms as sterling strengthened against the major currencies. Global equity markets exhibited extremely narrow leadership over the second quarter. Nvidia was the catalyst for a rally in technology stocks. Fewer than 10 stocks made up most of the S&P 500 return through Q2. Equity markets in the US have looked through the regional banking distress during the quarter. Earnings remained resilient, but analyst expectations point to a decline in the coming quarter. US equities returned 5.7% in sterling terms, compared to 8.7% in local currency terms, whilst European (ex-UK) equities returned 0.6% in sterling terms and 3.2% in local terms. Japanese equities returned 3.0% in sterling terms and 15.0% in local currency terms. The yen weakened sharply against sterling over the quarter. Emerging markets ('EM') equities returned -1.9% in sterling terms (1.4% local currency). Weakness in China over its underwhelming recovery following the end of Covid restrictions was offset by stronger returns in Taiwan, Brazil and India. China and the rest of EM have largely offset one another, leading to positive EM returns in absolute terms but still considerable underperformance against developed markets.
1.03	**Performance Monitoring report** Over the three months to 30 June 2023, the Fund's total market value decreased in value by £2.9m to £2,286.3m. The Total Fund has increased in value by £6.1m in 12 months to 30 June 2023, not accounting for net cashflows. Movement over the 12 month period saw positive equity and multi-asset credit performance. Whilst rising gilt yields, impacted the CRMF portfolio, causing a detraction in value. Since the end of Q1 2023, gilt yields have increased. Further information on the CRMF mandate is provided in 1.04 below.
1.04	**Cash and Risk Management Framework (CRMF)** Over the 12 month period to 30 June 2023, performance of the framework has been down -12.2% as interest rates have risen and equity market volatility has increased. Though inflation protection has reduced the funding strain from the increase in actual and expected inflation since early 2022, the rise in gilt yields to date has resulted in a fall in value (of assets and liabilities). This performance is in line with expectations and will have served to reduce volatility in the funding level and reduce risk, since the Fund's liabilities also decreased over the period as a result of these market movements. As a result of the increase in gilt yields, the Fund's Flightpath has enabled the Fund to lock-in to attractive levels of return due to the interest rate trigger framework in place. Triggers have been hit in May, June and July 2023, increasing the amount of gilt exposure at each trigger level under favourable market conditions. The interest rate hedge ratio now stands at 67% on the current hedging basis.

	The current hedging basis is based on market conditions as at the 2019 Actuarial Valuation. The FRMG is currently updating the liability benchmark for the 2022 Actuarial Valuation cashflows and as part of this the hedging basis will be revised. Once the hedging basis is updated, the hedge ratios will be re-expressed on the new basis. There will be no change to the gilt exposure gained through the risk management framework as a result. However, given the large increases in real yields since the last time the hedging basis was updated, we expect that the interest rate and inflation hedge ratios will be lower than Insight are currently reporting once the basis is updated. The framework's equity protection mandate has also served to reduce funding level volatility relative to holding unprotected equities. As equity exposure is achieved synthetically, the addition of this mandate has increased risk-adjusted returns for the Fund. For further information on the framework please refer to funding flightpath and risk management update, in particular section 1.03.
1.05	It is appropriate to measure performance at a Total Fund level by comparing to a number of different targets: • 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 is currently set at CPI (Consumer Price Index) +1.5% p.a. for past service liabilities and CPI + 2.0% 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 +2.7% 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. The performance against all benchmarks is shown on Page 8 of the report, and repeated below:

Total	**Quarter (%)**	**1 Year (% p.a.)**	**3 Years (% p.a.)**	**5 Years (% p.a.)**
Total Scheme	**+0.3**	**+1.4**	**+6.0**	**+4.8**
Total Benchmark	+1.7	+3.7	+5.7	+5.2
Strategic Target (CPI +2.7% p.a.)	+2.7	+11.4	+10.1	+7.9
Actuarial Target – Past Service Liabilities (CPI +1.5% p.a.)	+2.4	+9.8	+8.4	+6.2
Actuarial Target – Future Service Liabilities (CPI +2.0% p.a.)	+2.5	+10.3	+8.9	+6.8

In light of the current economic landscape, which has been characterised by high short-term inflation rates, it is evident that the Fund has

	encountered challenges in meeting its strategic target. The surge in short-term inflation has posed formidable challenges for the Fund's performance. The discrepancy between the targets and the prevailing high inflationary conditions has resulted in a discernible gap between the Fund's projected outcomes and the actual performance. It is important to note that the strategic and actuarial targets quoted are based on short-term actual inflation figures, whereas in practise the Fund's liabilities are linked to implied long-term future CPI assumptions. Therefore, whilst short-term inflation is high, the longer term implied inflation figures are much lower. Looking at the performance of the Fund, it has been difficult period for several of the underlying managers to achieve benchmark performance given the recent market environment. For example, the Multi-Asset Credit mandate is targeting SONIA +4.0%, whilst the Best Ideas Portfolio is targeting UK Consumer Price Index +3.0% p.a. Therefore, whilst performance has been positive for both these portfolios, the high hurdles in place have proved a challenge to achieve. Despite the challenging market environment, the Fund has continued to monitor all assets closely and has made several active decisions on strategy. As detailed in 1.04, The Fund has been able to benefit from periods of volatility by locking in at favourable yields, as interest rates have increased. The recent increases in interest rates have increased returns expectations for the Fund's assets, which has in turn increased the Fund's discount rate, leading to a decrease in the value of the Fund's liabilities. Overall, the funding position was estimated to be 107% as at 30 June 2023. This is 2% ahead of the expected position. This is now calculated using the updated assumptions and liabilities in the Actuarial Valuation 2022. The Actuarial Targets set out within the table is based on the real discount rate agreed at the last actuarial valuation effective 31 March 2022. In practice the Actuary's discount rate has changed since the valuation date and this is taken into account in the ongoing monitoring of the funding position.
1.06	The strongest absolute returns over the quarter came from the Local/Impact allocation within the Private Markets portfolio (+2.7%) and Multi Asset Credit (+2.2%). The liability hedging portfolio increased by +0.1% over the quarter to 30 June 2023, despite real yields increasing; performance was supported by the synthetic equity positions as global equity generated positive returns. Over the 12 months to 30 June 2023, holdings within the Private Market portfolio generated the strongest returns. Local/ Impact, Timber/Agriculture, and Infrastructure generated the highest returns of +12.5%, +10.2% and +7.9%, respectively. Total equities also generated

	strong positive returns, returning +5.8% for the period. The performance of individual managers is shown in the report and is regularly reviewed by Officers and advisers.
1.07	All portfolio allocations held sit within the agreed strategic tolerance with the exception of Infrastructure within Private Markets, which is marginally underweight.

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

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

4.00	**RISK MANAGEMENT**
4.01	The Fund's investment strategy has been designed to provide an appropriate trade-off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk. Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.
4.02	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.03	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure via the Insight mandate only. The collateral waterfall framework is intended to increase the efficiency of the Fund's collateral and generate 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.

5.00	**APPENDICES**
5.01	Appendix 1 - Economic and Market Update – 30 June 2023 Appendix 2 – Performance Monitoring Report – 30 June 2023

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

7.00	GLOSSARY OF TERMS
7.01	A list of commonly used terms are as follows: (a) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (b) **Annualised –** Figures expressed as applying to 1 year. (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. (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. (e) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cash flows. (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. (g) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum. (h) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cash flows. (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/

Mae'r dudalen hon yn wag yn bwrpasol

welcome to brighter

Clwyd Pension Fund

Economic and Market Update – Q2 2023

A business of Marsh McLennan

Monthly capital market monitor

Hawkish Fed guidance, escalating Ukraine conflict dampen optimism, but month still ends on upbeat note

In June, global equities and commodities rose by mid single digits while performance was flat to marginally positive for bonds and REITs.

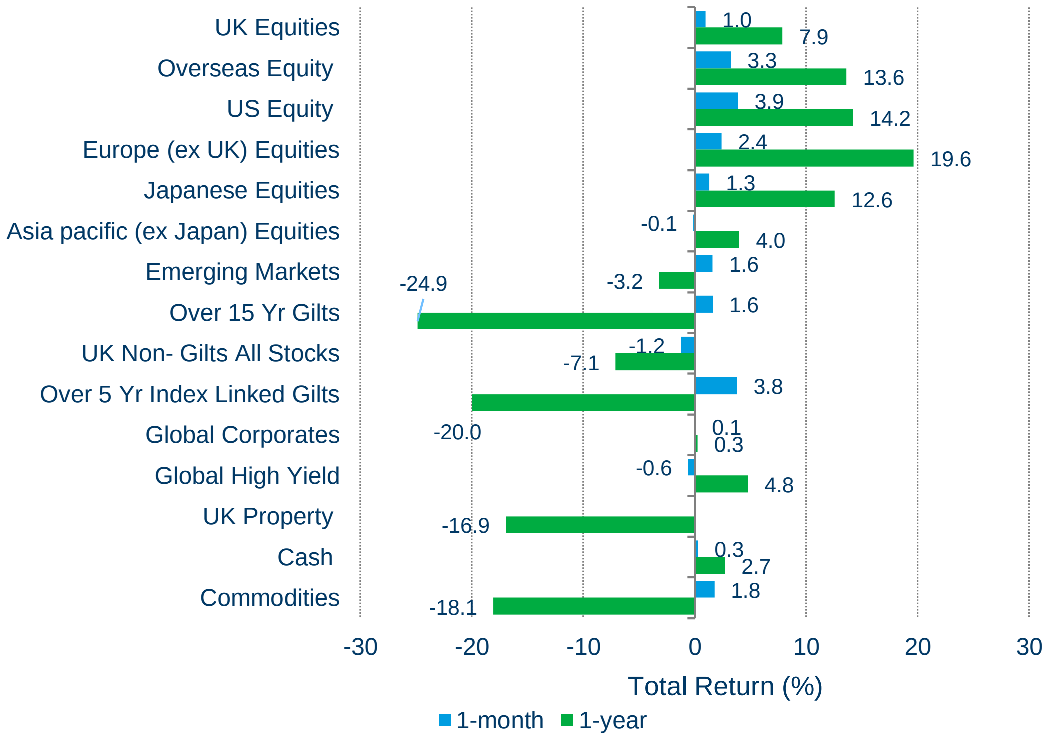
Markets remain positioned for a soft landing as news flow continues to focus on falling headline inflation, an end to the hiking cycle amid broad economic resilience even if individual sectors such as regional banks remain challenged.

Forward-looking purchasing manager indices fell in the US, UK, Eurozone and Japan but remained in expansion territory while retail sales in the US and UK rose above expectations. This paints a picture of economies remaining strong considering the interest rate backdrop. Inflation continues to edge down in all major economies, except the UK where inflation remains firm, which raised hopes that the hiking cycle is indeed coming to an end in most regions. However, even though the Federal Reserve kept rates on hold for the first time in over a year, forward guidance was more hawkish than expected which stalled the positive momentum markets had enjoyed during the first half of the month. Furthermore, the European Central Bank and Reserve Bank of Australia hiked by 25 basis points each and the Bank of England was compelled to hike by 50 basis points, given stubbornly elevated inflation in the UK. Only China continued to ease as its hoped-for economic recovery has been underwhelming. Labor markets remain resilient, unemployment has been rising marginally in some regions but remains at multi-decade lows, all consistent with the soft-landing narrative.

Attention shifted back to the Ukraine conflict later in the month which further drained positive market momentum. From an investment perspective, this increased concerns that an escalating conflict could once again impact commodity markets just as inflation comes down, as attested by double digit increases in wheat prices in June.

Equity returns were all in positive mid-single digits. UK equities underperformed global and emerging markets. US equities were once again very strong thanks to positive tailwinds including resilient economic data and the ongoing AI & tech trade. Bond returns were mostly flat to slightly positive as global yields rose marginally for most countries, but credit spreads contracted.

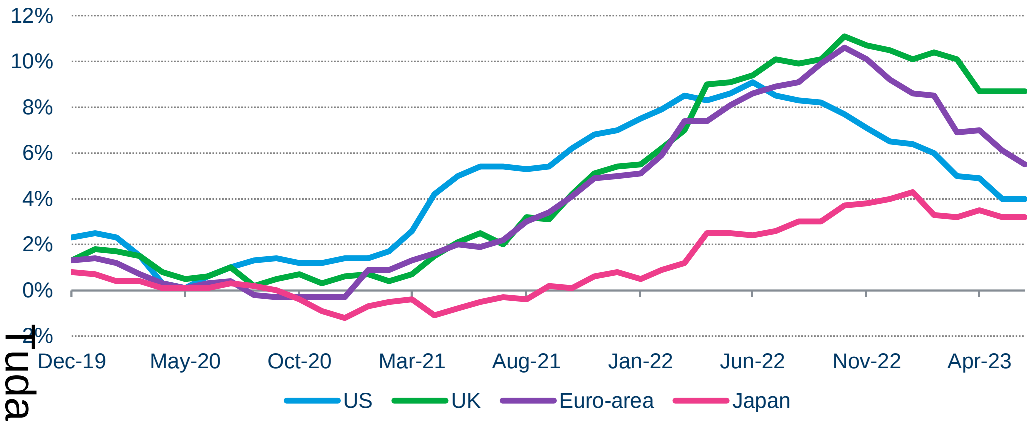
Sterling strengthened against most major currencies over the month except the Norwegian krone and Canadian dollar. Gold fell in a generally risk-on market and as real yields rose.



Source: Refinitiv. Data as of 30/06/23. 1-year UK property returns are shown as 11-month return to 31/05/2023.

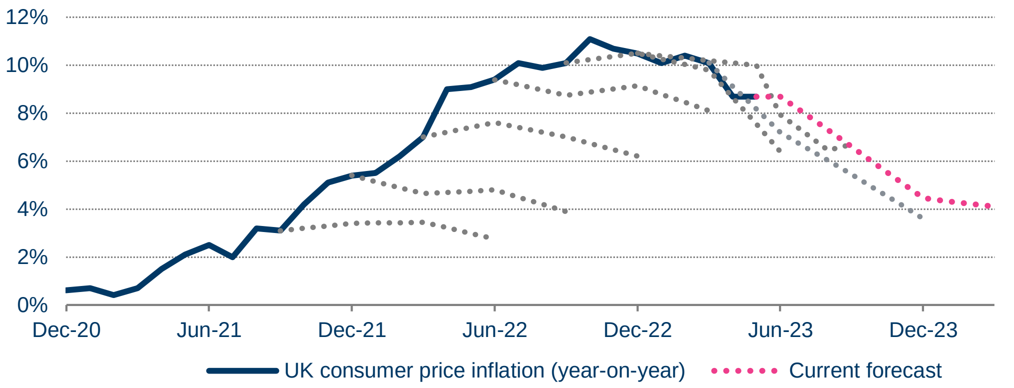
Key drivers

Global year-on-year consumer price inflation



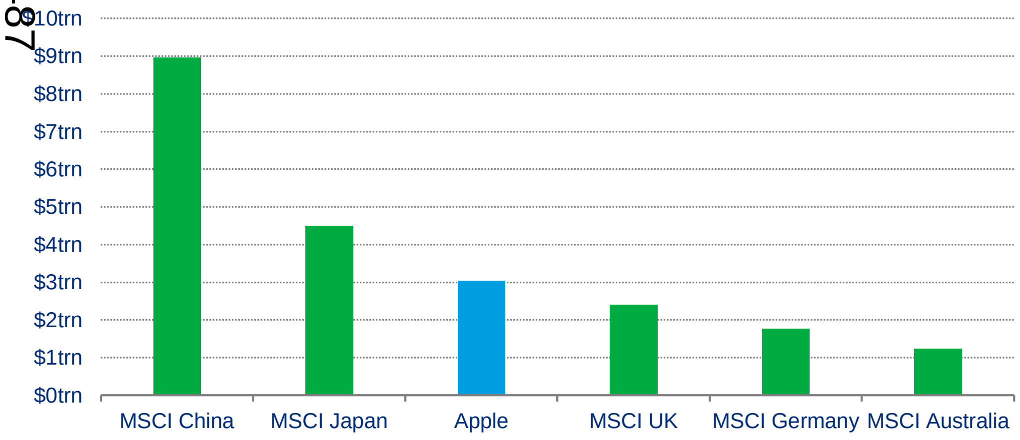
Source: Bloomberg. Data as of 30/06/2023

UK year-on-year inflation – current and forecast



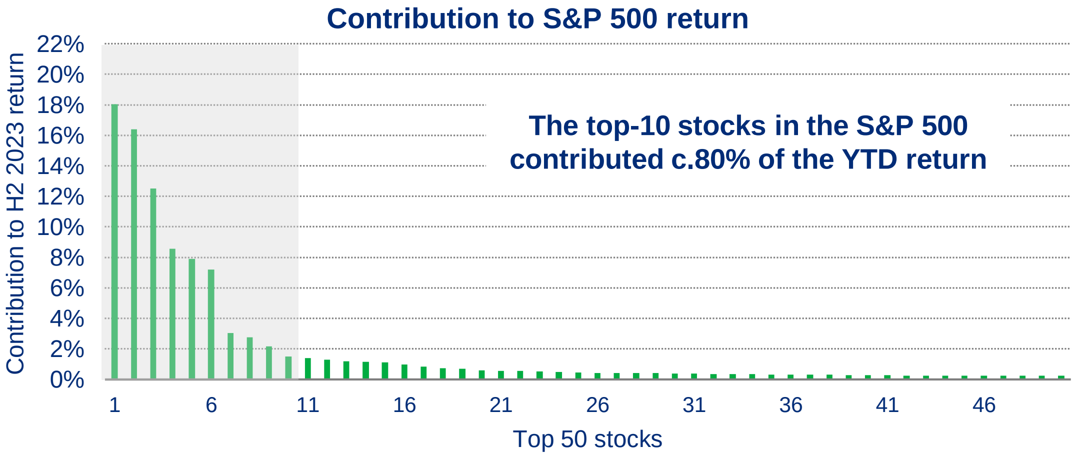
Source: Bloomberg. Data as of June 30, 2023. The consensus forecast lines are four quarter forecasts as at each quarter end from September 2021.

Apple market capitalization



Source: Bloomberg. Data as of 30/06/2023

Concentration of S&P 500



Source: Bloomberg, Acadian, Mercer. Data as of June 30,

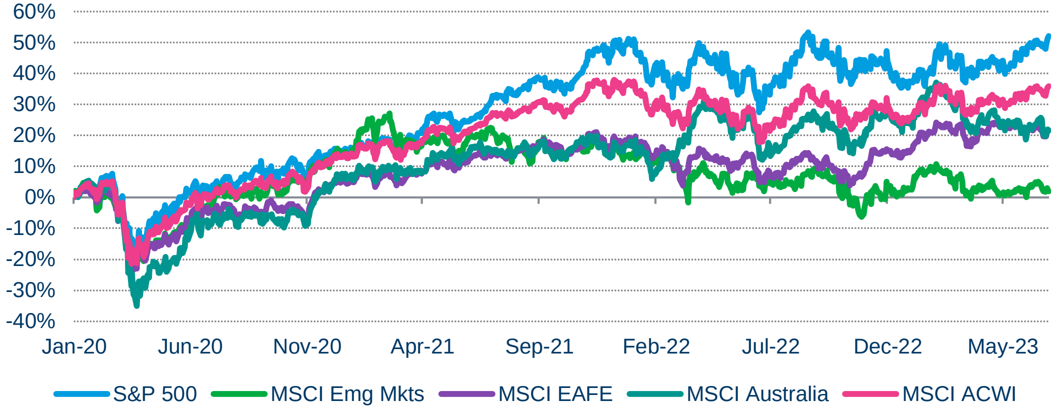
Equities

- UK equities returned 1.0% over June 2023 in Sterling terms and underperformed overseas equities which returned 3.3%. Financials, energy and materials posted strong returns but these returns were offset by real estate. Increasing interest rates are continuing to weigh on the sector as property prices begin to decline. Over the month the FTSE 350 Homebuilder Index fell 9.5%.
- In the US, we are continuing to see narrow leadership in equity returns driven by technology stocks in the S&P 500. Thanks to this rally Apple became the first ever stock to reach a market capitalisation of $3trn. Returns in continental Europe were positive.

The earnings season for Q2 2023 starts in July and US earnings are estimated to decline by 6.8%, which would be the largest earnings decline since Q2 2020 (31.6%)[1].

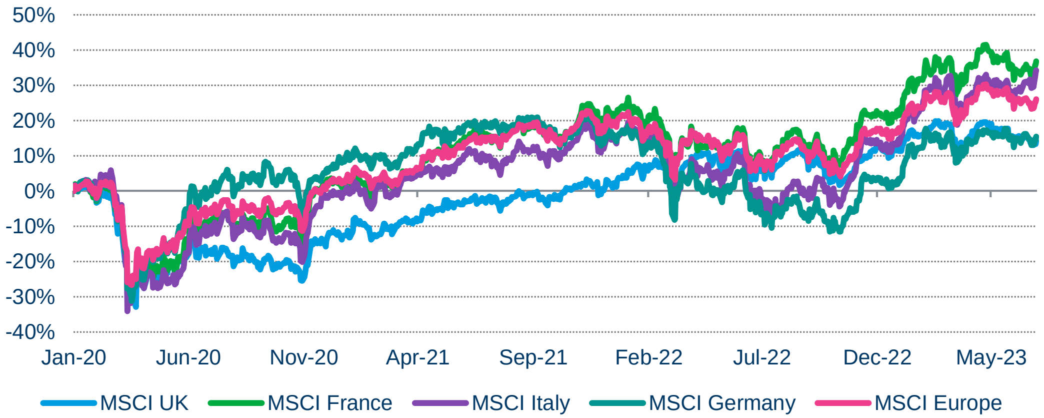
Emerging markets returned 1.3% over June with positive returns for China, India and Brazil. Brazil benefitted from increasing energy costs over the month.

Global Equity Performance (GBP)



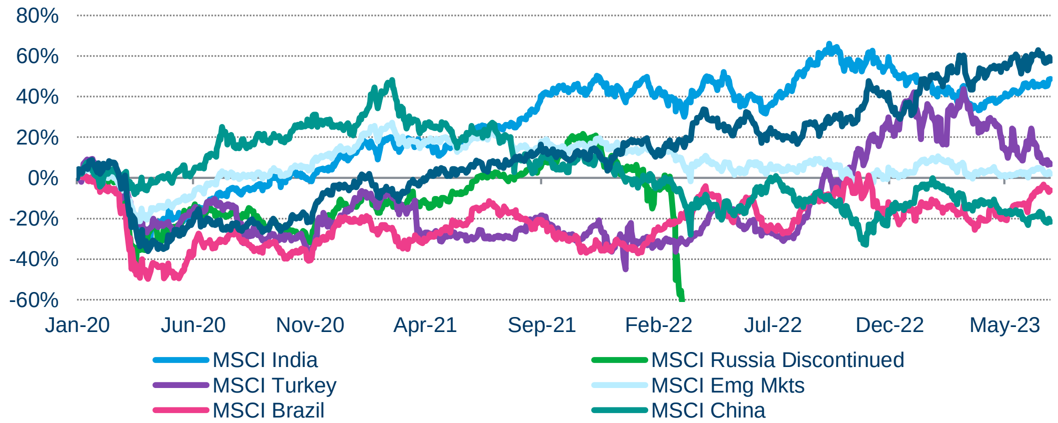
Source: Refinitiv, Data as at 30/06/2023

European Equity Performance (GBP)



Source: Refinitiv, Data as at 30/06/2023

Emerging Market Equity Performance (GBP)



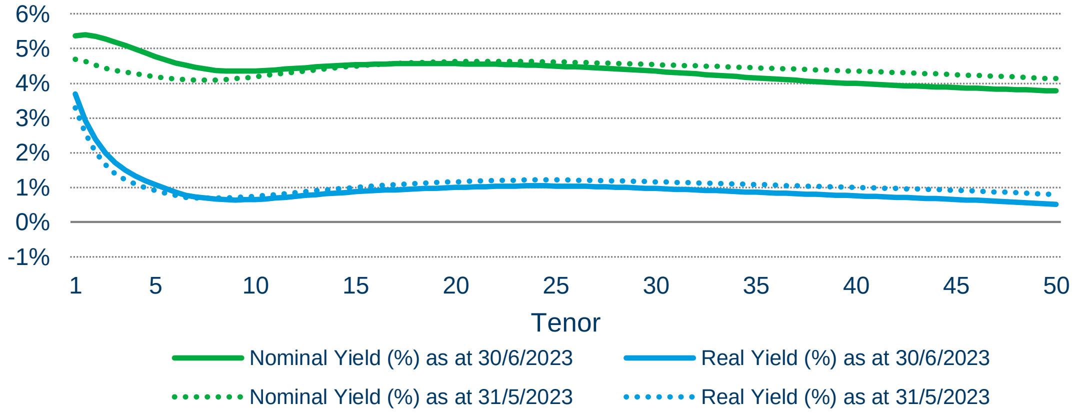
Source: Refinitiv, Data as at 30/06/2023

[1] hiips://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_063023.pdf

UK Fixed Income

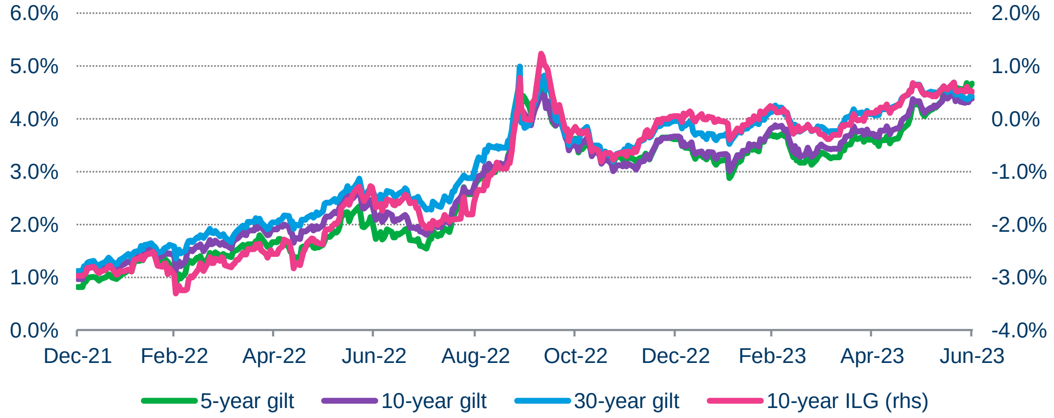
- Bond markets saw yield increases across the curve globally through June, with the exception of Japan. Increased expectations of tightening of monetary policy drove yields higher. Yields in the UK are now close to levels witnessed last September in the *gilt market crisis*, however, we are not witnessing similar levels of market disorder.
- In the UK, yields rose across the curve. The 2-year and 10-year gilt yields rose 93bps and 10bps respectively, leading to a further inversion of the yield curve. A sticky inflation print and a 50bps rate hike, which surprised the bond market was largely to blame for the sharp increase in front end yields over June. Real yields were mixed over the month.
- Market based measures of inflation expectations rose over the month. The 10-year UK breakeven increased to 3.86% from 3.69% in the month prior. The May CPI print surprised to the upside again, and remained at 8.7%.
- Lending conditions remain tighter, but bond markets have remained fairly calm. Credit spreads tightened during the month, with global investment-grade spreads decreasing 12 bps and high yield spreads decreasing 61 bps.

UK gilt curves



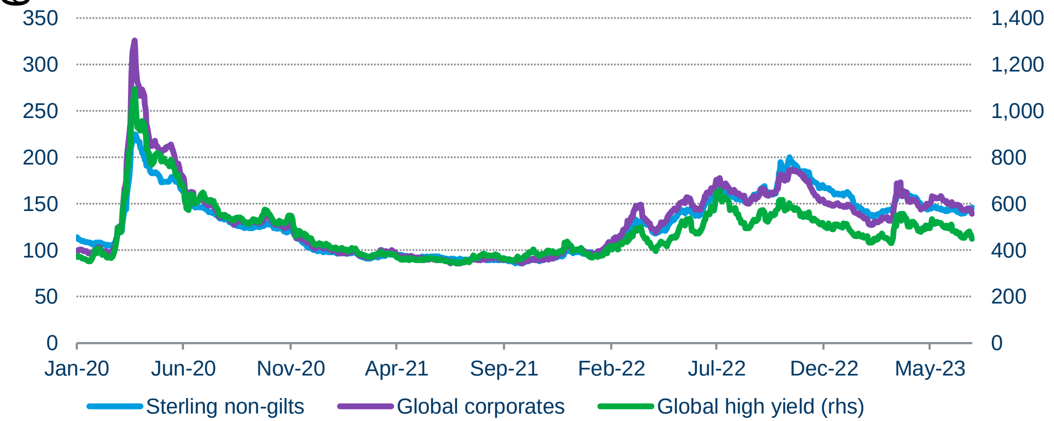
Source: Mercer. Data as of 30/06/2023

UK government bond yields



Source: Refinitiv, Data as at 30/06/2023

Corporate bond spreads



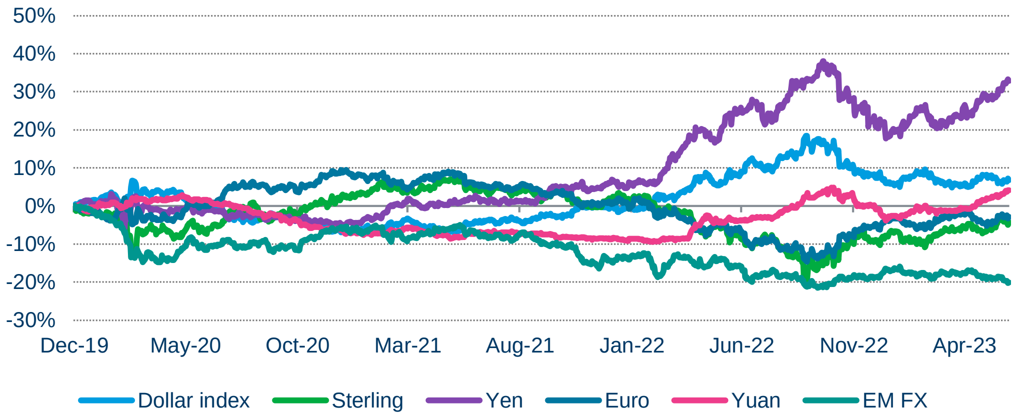
Source: Refinitiv, Data as at 30/06/2023

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

Currency and commodities

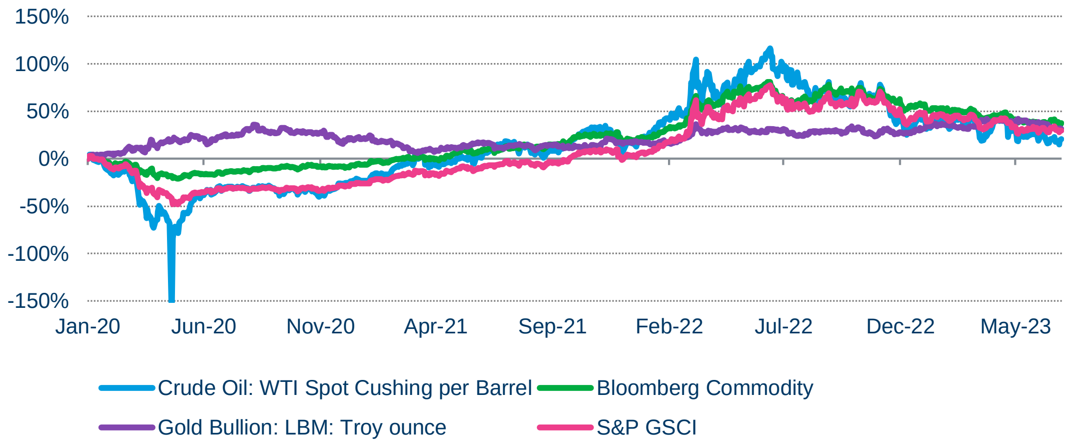
- Broad commodity returns were positive through June. Oil rose 1%, and reached **$74** a barrel. Wheat prices increased at the sharpest rate since the onset of the Russia/Ukraine conflict, due to escalations in the conflict. Gold was the only major asset class with negative performance, falling by 5.1% during the month due to limited demand for safe haven assets
- Sterling was stronger versus most major currencies through June. The US dollar was weaker against currencies over the month as positive sentiment and prospects of future monetary easing drove much of the narrative over the month.

Currency performance



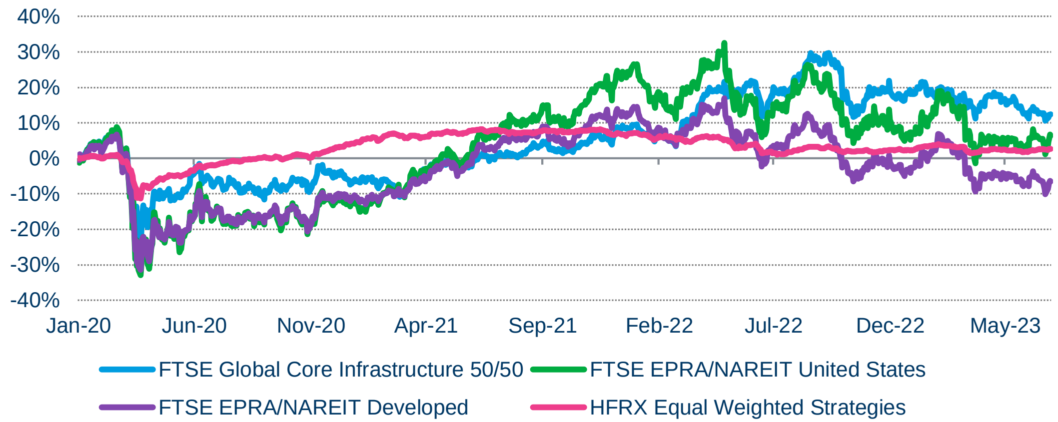
Source: Refinitiv, Data as at 30/06/2023

Commodity performance (GBP)



Source: Refinitiv, Data as at 30/06/2023

REITs, Hedge funds, Infrastructure performance (GBP)



Source: Refinitiv, Data as at 30/06/2023

Valuation and yields

Ending 30 June 2023

Valuations

FTSE ALL-Share	30-06-2023	31-03-2023	31-12-2022	30-09-2022
Index Level	8610.8	8650.3	8391.9	7706.0
P/E Ratio (Trailing)	10.5	10.5	13.9	13.0
CAPE Ratio	16.9	17.3	18.2	16.4
Dividend Yield	4.1	4.2	3.7	4.0
P/B	1.6	1.6	1.5	1.5
P/CF	5.7	5.9	5.2	4.8
MSCI World ex-UK	**30-06-2023**	**31-03-2023**	**31-12-2022**	**30-09-2022**
Index Level	9077.1	8480.6	7866.8	7187.2
P/E Ratio (Trailing)	19.4	18.2	16.9	15.6
CAPE Ratio	26.1	24.4	24.6	23.4
Dividend Yield	2.0	2.1	2.3	2.3
P/B	3.0	3.0	2.8	2.6
P/CF	13.4	12.2	11.3	9.8
MSCI EM	**30-06-2023**	**31-03-2023**	**31-12-2022**	**30-09-2022**
Index Level	509.8	505.3	486.1	443.1
P/E Ratio (Trailing)	12.9	12.7	11.9	10.1
CAPE Ratio	16.8	16.5	17.0	16.0
Dividend Yield	3.0	3.2	3.2	3.4
P/B	1.5	1.6	1.5	1.3
P/CF	8.3	7.5	8.0	6.6

Yields

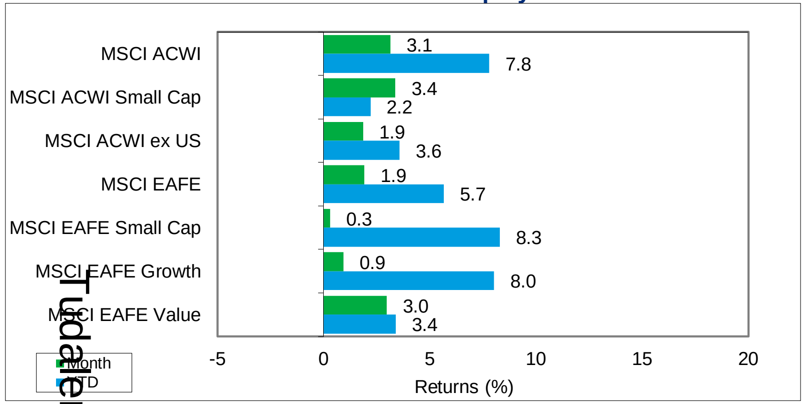
Global Bonds	30-06-2023	31-03-2023	31-12-2022	30-09-2022
Germany – 10Y	2.39	2.29	2.57	2.11
France - 10Y	2.93	2.79	3.12	2.72
US - 10Y	3.84	3.47	3.87	3.83
Switzerland – 10Y	0.96	1.25	1.62	1.23
Italy – 10Y	4.07	4.10	4.72	4.52
Spain 10Y	3.39	3.30	3.66	3.29
Japan – 10Y	0.40	0.35	0.42	0.24
Euro Corporate	4.44	4.22	4.32	4.24
Euro High Yield	8.29	8.18	8.32	9.01
EMD ($)		9.66	8.55	9.57
EMD (LCL)	6.66	6.78	7.00	7.32
US Corporate	5.48	5.17	5.42	5.69
US Corporate High Yield	8.50	8.52	8.96	9.68
UK Bonds	**30-06-2023**	**31-03-2023**	**31-12-2022**	**30-09-2022**
SONIA	4.93	4.18	3.43	2.19
10 year gilt yield	4.39	3.38	3.67	4.10
30 year gilt yield	4.42	3.83	3.96	3.83
10 year index linked gilt yield	0.52	-0.29	0.06	0.07
30 year index linked gilt yield	0.95	0.37	0.55	0.07
AA corporate bond yield	5.71	4.76	4.79	5.62
A corporate bond yield	6.08	5.13	5.20	6.05
BBB corporate bond yield	6.82	5.84	5.96	6.96

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

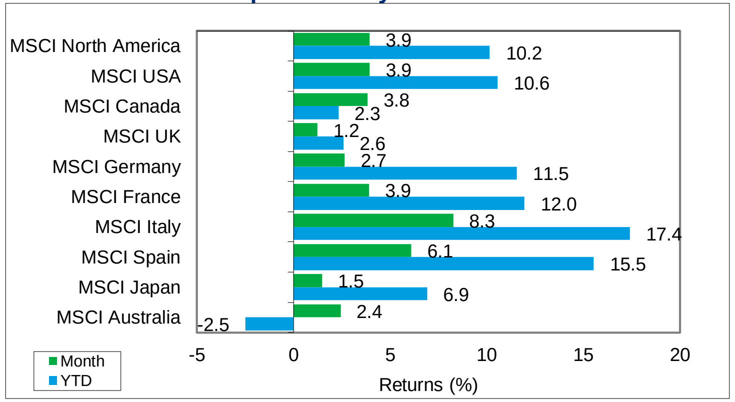
Performance summary (GBP)

International Equity ending 30 June 2023

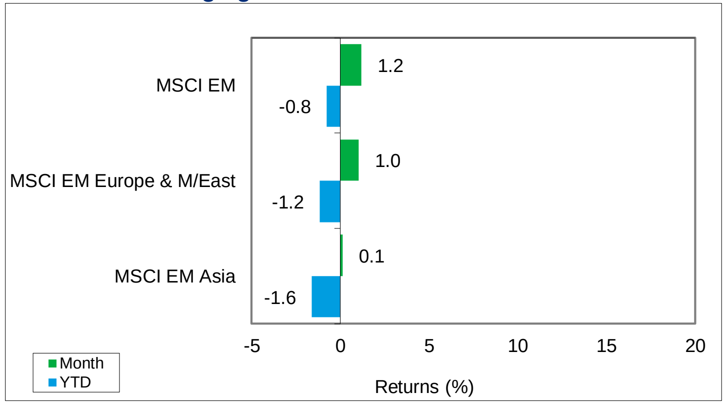
International Equity Performance



Developed Country Performance



Emerging Market Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
MSCI ACWI	3.1	3.3	7.8	11.3	3.3	9.9	8.9	10.7	10.7	9.6	-8.1	19.6	12.7	21.7	-3.8
MSCI ACWI IMI	3.2	3.1	7.5	11.5	3.1	10.4	9.0	11.0	11.1	10.3	-7.7	19.8	13.2	22.1	-4.0
MSCI ACWI Small Cap	3.4	0.8	2.2	8.0	-2.0	9.8	5.3	8.8	9.5	10.8	-8.4	17.2	12.7	19.8	-9.1
MSCI ACWI ex US	1.9	-0.4	3.6	7.7	-0.7	6.2	4.3	7.1	6.6	8.1	-5.4	8.8	7.2	16.8	-8.9
MSCI EAFE	1.9	0.1	5.7	13.5	3.0	7.9	5.2	7.6	7.3	7.9	-3.7	12.3	4.5	17.3	-8.4
MSCI EAFE Growth	0.9	0.0	8.0	14.8	-0.2	5.3	6.2	8.2	8.3	8.4	-13.2	12.3	14.6	23.0	-7.4
MSCI EAFE Value	3.0	0.3	3.4	12.1	6.0	10.3	3.7	6.8	6.0	7.3	6.3	11.9	-5.6	11.6	-9.5
EM	1.2	-1.9	-0.8	-2.8	-9.1	1.4	1.7	5.7	4.8	9.6	-10.0	-1.6	14.7	13.8	-9.3
North America	3.9	5.4	10.2	13.1	5.8	12.5	12.2	13.3	13.7	10.8	-9.4	27.6	16.2	25.7	0.1
Europe	2.2	-0.1	7.5	16.4	4.4	9.6	6.0	8.1	7.6	8.0	-4.4	17.4	2.1	19.0	-9.6
EM Europe & M/East	1.0	2.9	-1.2	-1.6	-12.4	-2.1	-1.0	2.2	-0.7	4.8	-27.2	25.1	-10.4	14.6	-2.2
EM Asia	0.1	-3.5	-1.6	-5.3	-10.7	0.2	2.0	6.7	6.5	10.1	-11.2	-4.2	24.4	14.6	-10.2
Latin America	9.2	10.9	12.1	24.0	8.8	15.3	5.6	6.2	2.9	10.8	22.6	-7.2	-16.5	12.9	-0.8
USA	3.9	5.6	10.6	13.7	6.0	12.5	12.5	13.5	14.2	10.9	-9.7	27.6	17.0	25.8	0.9
Canada	3.8	0.8	2.3	2.2	3.4	11.7	7.2	8.3	7.1	9.2	-1.9	27.1	2.1	22.6	-12.1
Australia	2.4	-2.5	-2.5	6.2	2.5	9.5	5.7	8.1	6.8	10.0	6.7	10.4	5.4	18.2	-6.5
UK	1.2	-0.6	2.6	8.1	8.7	11.5	3.6	6.0	5.7	6.9	7.1	19.6	-13.2	16.4	-8.8
Germany	2.7	0.0	11.5	22.6	-2.0	4.2	2.5	6.1	5.9	8.4	-12.6	6.3	8.1	16.1	-17.3
France	3.9	0.4	12.0	25.8	8.1	13.8	7.8	11.0	9.5	8.4	-2.4	20.6	0.9	20.9	-7.3
Italy	8.3	5.2	17.4	37.0	9.8	13.8	6.7	10.3	8.2	4.2	-3.6	16.1	-1.3	22.4	-12.6
Spain	6.1	2.7	15.5	23.2	8.3	11.1	2.5	6.3	5.7	6.2	4.4	2.3	-7.7	7.7	-11.0
Japan	1.5	3.5	6.9	12.8	1.4	4.7	3.9	7.1	7.1	7.1	-6.1	2.6	10.9	15.0	-7.5
Brazil	13.0	17.4	10.6	24.0	4.0	12.3	7.1	7.5	3.6	12.0	28.5	-16.6	-21.5	21.4	5.7
China	1.4	-12.2	-10.5	-20.5	-21.5	-11.1	-4.6	3.6	4.9	10.7	-12.1	-21.0	25.5	18.7	-13.8
India	2.1	9.2	-0.6	9.0	8.7	18.2	9.6	10.4	10.8	14.0	3.6	27.4	12.0	3.4	-1.5

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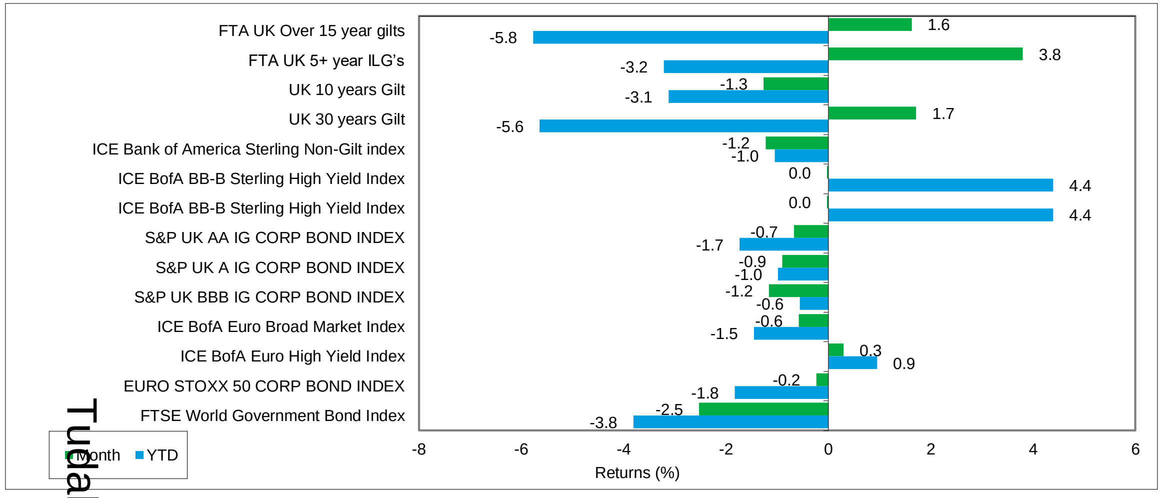
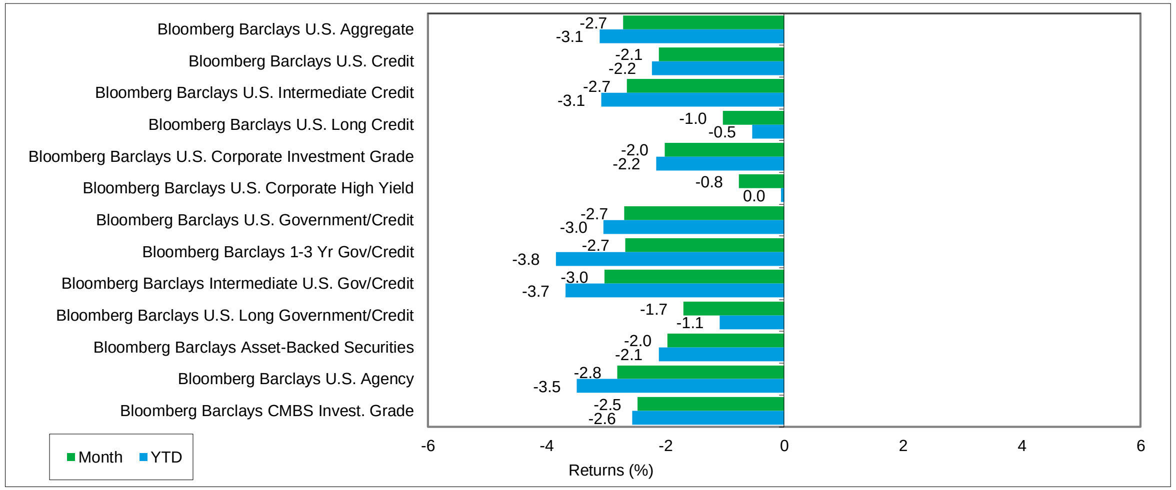
Performance summary (GBP)

Fixed Income ending 30 June 2023

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
FTA UK Over 15 year gilts	1.6	-8.3	-5.8	-24.9	-23.9	-19.8	-7.9	-5.4	0.3	3.1	-40.1	-7.3	13.9	12.0	0.3
FTA UK 5+ year ILG's	3.8	-7.8	-3.2	-20.0	-19.5	-14.8	-5.5	-2.7	1.6	4.3	-38.0	4.2	12.4	6.8	-0.4
UK 10 years Gilt	-1.3	-6.1	-3.1	-14.0	-12.6	-10.0	-3.5	-2.4	0.7	3.3	-20.1	-5.7	6.6	5.2	2.0
UK 30 years Gilt	1.7	-8.6	-5.6	-26.8	-25.5	-20.7	-8.6	-6.1	0.1	3.0	-42.7	-6.4	13.8	11.7	0.4
ICE Bank of America Sterling Non-Gilt index	-1.2	-3.4	-1.0	-7.1	-10.0	-6.2	-1.4	-0.2	2.0	3.7	-17.8	-3.0	8.0	9.5	-1.6
ICE BofA BB-B Sterling High Yield Index	0.0	0.6	4.4	5.8	-3.5	1.4	2.6	4.1	5.2	9.1	-11.1	3.0	6.1	13.8	-1.4
S&P UK AA IG CORP BOND INDEX	-0.7	-3.3	-1.7	-7.4	-10.0	-7.2	-2.1	-0.8	1.5	3.5	-17.3	-4.6	7.7	7.3	-0.3
S&P UK A IG CORP BOND INDEX	-0.9	-3.5	-1.0	-8.2	-11.0	-7.4	-1.7	-0.5	2.0	3.6	-19.9	-3.7	8.4	10.4	-1.5
S&P UK BBB IG CORP BOND INDEX	-1.2	-2.9	-0.6	-5.4	-9.6	-5.2	-0.7	0.6	2.5	4.6	-17.4	-2.3	8.7	11.6	-2.6
ICE BofA Euro Broad Market Index	-0.6	-2.1	-1.5	-4.0	-8.3	-7.2	-2.5	-1.0	0.8	3.6	-12.2	-8.8	9.9	0.1	1.6
ICE BofA Euro High Yield Index	0.3	-0.7	0.9	8.5	-3.7	-0.8	0.8	2.9	3.5	7.3	-6.5	-3.1	8.6	5.1	-2.5
EURO STOXX 50 CORP BOND INDEX	-0.2	-2.3	-1.8	-1.0	-5.7	-4.8	-1.6	-0.2	0.9	--	-6.9	-7.3	8.5	-0.9	0.1
FTSE World Government Bond Index	-2.5	-4.5	-3.8	-6.9	-6.1	-7.4	-1.3	-1.1	1.3	3.4	-8.0	-6.1	6.7	1.8	5.3
Bloomberg Barclays U.S. Aggregate	-2.7	-3.4	-3.1	-5.1	-1.9	-4.8	1.5	1.1	3.2	4.1	-2.5	-0.7	4.3	4.6	5.8
Bloomberg Barclays U.S. Credit	-2.1	-2.9	-2.2	-3.0	-2.6	-4.2	2.4	2.0	4.2	5.0	-4.9	-0.2	6.0	9.4	3.7
Bloomberg Barclays U.S. Intermediate Credit	-2.7	-2.9	-3.1	-2.8	0.1	-2.7	2.5	2.1	3.9	4.6	1.9	-0.1	3.8	5.4	5.9
Bloomberg Barclays U.S. Long Credit	-1.0	-3.1	-0.5	-3.3	-7.1	-6.9	2.3	2.0	5.2	6.1	-16.0	-0.3	9.8	18.6	-1.1
Bloomberg Barclays U.S. Corporate Investment Grade	-2.0	-2.9	-2.2	-2.8	-2.8	-4.3	2.5	2.1	4.3	5.1	-5.5	-0.2	6.5	10.2	3.3
Bloomberg Barclays U.S. Corporate High Yield	-0.8	-0.9	0.0	4.4	1.4	2.2	4.0	5.2	6.1	7.6	-0.5	6.1	3.9	10.0	3.6
Bloomberg Barclays U.S. Government/Credit	-2.7	-3.5	-3.0	-4.9	-2.1	-4.9	1.7	1.3	3.3	4.2	-3.1	-0.9	5.6	5.6	5.4

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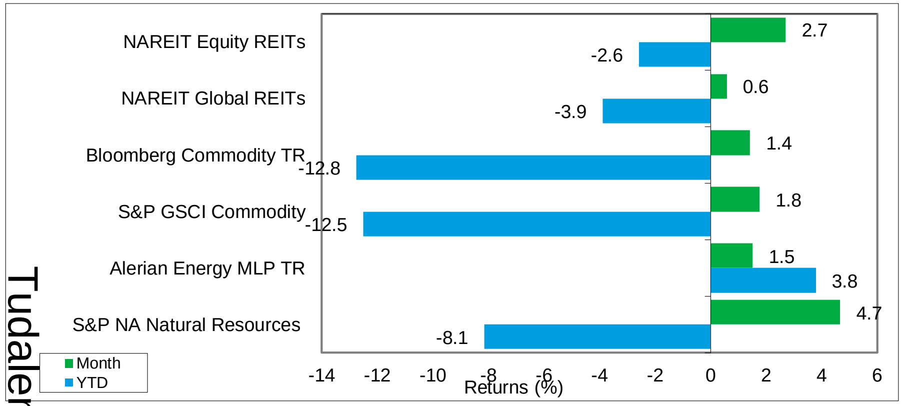
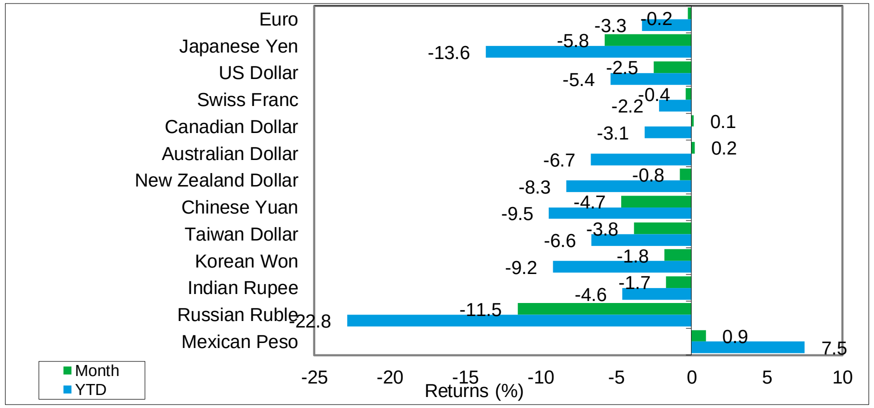
Performance Summary (GBP)

Alternatives ending 30 June 2023

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	2022	2021	2020	2019	2018
NAREIT Equity REITs	2.7	-1.6	-2.6	-8.7	-1.1	5.1	5.6	4.9	8.7	10.3	-15.5	42.6	-8.1	23.7	1.9
NAREIT Global REITs	0.6	-2.2	-3.9	-7.9	-4.4	3.3	1.6	2.4	5.7	8.8	-14.9	28.4	-11.0	18.3	1.2
Bloomberg Commodity TR	1.4	-5.2	-12.8	-13.7	10.5	16.7	5.5	4.2	0.8	2.0	30.7	28.3	-6.1	3.5	-5.7
S&P GSCI Commodity	1.8	-5.4	-12.5	-18.1	16.3	23.9	3.5	5.2	-1.8	0.2	41.9	41.6	-26.1	13.1	-8.5
Alerian Energy MLP TR	1.5	2.5	3.8	24.7	21.6	29.5	7.0	4.5	2.7	9.8	47.4	41.5	-30.9	2.4	-7.0
Oil	1.1	-9.2	-16.7	-36.2	2.2	20.5	-0.2	6.3	-1.4	5.7	20.2	56.4	-23.0	29.3	-20.2
Gold	-5.1	-5.5	0.0	2.0	8.8	1.4	9.8	6.3	6.5	10.4	12.5	-2.6	20.6	14.3	3.9
S&P NA Natural Resources	4.7	-2.9	-8.1	7.3	22.1	24.9	6.2	6.9	5.4	9.0	51.0	41.2	-21.5	13.1	-16.2
Euro	-0.2	-2.3	-3.3	-0.3	0.0	-1.9	-0.6	0.5	0.0	1.1	5.7	-6.2	5.6	-5.6	1.1
Japanese Yen	-5.8	-10.4	-13.6	-10.2	-8.7	-10.1	-4.5	-4.1	-2.0	0.4	-1.7	-9.5	2.0	-2.9	9.1
US Dollar	-2.5	-2.7	-5.4	-4.5	4.2	-0.9	0.8	0.7	1.8	1.3	12.6	0.9	-3.1	-3.9	6.2
Swiss Franc	-0.4	-0.7	-2.2	2.2	6.0	1.0	2.9	2.0	2.4	--	10.9	-2.1	6.2	-2.1	5.0
Canadian Dollar	0.1	-0.5	-3.1	-6.9	0.8	0.0	0.6	0.5	-0.5	1.4	5.0	1.8	-1.4	1.3	-2.6
Australian Dollar	0.2	-3.0	-6.7	-7.4	-1.7	-2.0	-1.4	-0.8	-1.4	1.3	4.6	-5.0	5.9	-4.0	-4.0
New Zealand Dollar	-0.8	-4.8	-8.3	-6.1	-2.3	-2.7	-1.4	-1.3	-0.6	--	3.8	-4.5	3.1	-2.9	0.2
Chinese Yuan	-4.7	-8.0	-9.5	-12.0	-1.7	-1.8	-1.1	-0.6	0.1	2.0	3.2	3.6	3.2	-5.2	0.7
Taiwan Dollar	-3.8	-4.9	-6.6	-8.8	-1.4	-2.7	0.3	1.2	1.4	1.8	1.4	2.5	3.4	-1.4	2.8
Korean Won	-1.8	-3.9	-9.2	-5.9	-3.6	-3.9	-2.6	-1.2	0.3	0.8	5.9	-7.8	3.2	-7.2	1.9
Indian Rupee	-1.7	-2.6	-4.6	-8.0	-0.8	-3.6	-2.8	-2.0	-1.4	-1.5	1.2	-0.8	-5.3	-6.0	-2.9
Russian Ruble	-11.5	-15.6	-22.8	-41.6	-5.8	-8.2	-6.2	-4.0	-7.9	-4.0	15.7	-0.5	-18.6	7.4	-11.9
Brazilian Real	3.5	2.2	3.6	3.6	6.3	3.4	-3.7	-5.0	-5.9	-1.3	18.8	-5.9	-24.9	-7.4	-9.1
Mexican Peso	0.9	2.4	7.5	12.4	12.3	9.4	3.5	1.8	-1.0	-1.2	18.2	-1.7	-8.2	0.3	5.5
BofA ML All Convertibles	2.5	1.8	2.7	5.6	-2.3	7.5	10.6	11.9	11.8	9.8	-8.5	7.3	41.7	18.4	6.4
60%S&P 500/40% Barc Agg	1.3	2.1	5.1	6.5	3.9	6.2	8.5	9.0	10.2	8.5	-5.7	17.7	10.6	17.7	3.3

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Clwyd Pension Fund

Monitoring Report Quarter to 30 June 2023

Steve Turner

August 2023

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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.

Steve Turner

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	Overview	1
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	Investment Manager Summary	9
	Appendix	15

Overview

1

Executive Dashboard

Page 7 — Asset Allocation

Cash and Risk Management Framework, Hedge Funds and Property are the most overweight funds (6.1%, 2.0% and 1.9%, respectively) but within ranges. WPP Sustainable Active Equity, Infrastructure and Local / Impact are the most underweight funds (-6.3%, -1.9% and -1.8%, respectively). Both Infrastructure and Local / Impact are within ranges.

Signal

Previous Qtr ●

Current Qtr ●

Asset Allocation vs Ranges

WPP Sustainable Active Equity is outside its range. A plan is now being finalised to increase the Fund's exposure towards the agreed 15% target.

Page 8 — Investment Performance

The Fund returned 0.3% over the quarter against a benchmark of 1.7%. Over the one year and three year periods to 30 June 2023, the Fund returned 1.4% and 6.0% p.a. against a benchmark of 3.7% and 5.7% p.a., respectively.

Signal

Previous Qtr ●

Current Qtr ●

Performance vs Target

The one year and three year performance is behind the strategic target and the actuarial past service and future service liabilities targets.

Page 13 — Manager Research

No significant news to report over the quarter.

Signal

Previous Qtr ●

Current Qtr ●

Additional Comments

In March 2023, the Committee agreed to the revised investment strategy, in this performance report we have updated the strategic asset allocation of the Fund. The Fund moved its existing global equity holdings from the WPP Global Opportunities Fund into the WPP Sustainable Active Equity Fund. A further £65m from excess cash was also invested into the strategy.

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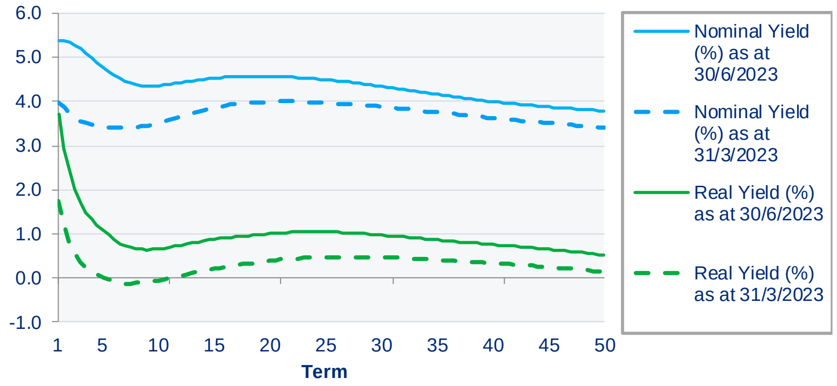
Market Conditions

	Values at (%)		Change (%)		
Yield / Spread	**30/06/2023**	**31/03/2023**	**3M**	**12M**	**3Y**
Over 5Y Index-Linked Gilts Yield	0.84	0.26	0.58	1.66	3.31
Over 15Y Fixed Interest Gilts Yield	4.36	3.79	0.55	1.76	3.76
Over 10 Year Non-Gilts Yield	5.96	5.35	0.58	1.59	3.80
Over 10 Year Non-Gilts Spread	1.42	1.56	-0.14	-0.32	-0.19
	£1 is worth		**Appreciation (%)**		
Exchange Rates	**30/06/2023**	**31/03/2023**	**3M**	**12M**	**3Y**
US Dollar ($)	1.271	1.236	2.82	4.69	0.96
Euro (€)	1.165	1.138	2.39	0.31	1.94
100 Japanese Yen (¥)	1.838	1.646	11.66	11.37	11.30



3 months to 30/06/2023

12 months to 30/06/2023

Source: Refinitiv. All returns are shown in sterling unless otherwise stated. Local currency returns (LOC) are an approximation of a currency hedged return.

Mercer's latest strategic investment insights

Market Environment

Replay March 24 webinar: Banking Crisis: Where are we now?

Mercer 2023 Midyear Economic and Market Outlook

Strategic research

In beta we trust? 60/40 in the age of fragility

Beware recency bias: 'Buy the dip' is not a guarantee

After the perfect storm – Active management recovers

Multi-Manager platforms – A due diligence perspective

The end is just beginning: Investing through a plan termination

Inflation-linked bonds – A real opportunity?

Diversified inflation strategies – Make your portfolio more resilient to higher inflation

Lessons from past recessions – The best offense is a good defense

Cryptocurrency – Why we remain cautious

Alternatives / Private Markets

Quarterly Alternatives Report – Q2 2023

Four reasons to consider private debt – Private markets insights

Private debt – Aligning investment needs with the means to deliver

Should you skip vintages? Private market insights

Momentum continues to build towards the democratization of private markets

Lags in private markets – Private market insights

Characterizing capital calls – Private market insights

Private real estate debt – A primer

Mercer's latest region-focused insights

The pros and cons of buyouts versus alternative solutions

Replay May 24 webinar: Is inflation a challenge for your DC scheme?

Replay May 16 webinar: Climate change and longevity – the impact on your DB scheme

Replay March 15 client webinar, hosted by Mercer: How the Silicon Valley Bank (SVB) collapse could impact you

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Strategy Monitoring

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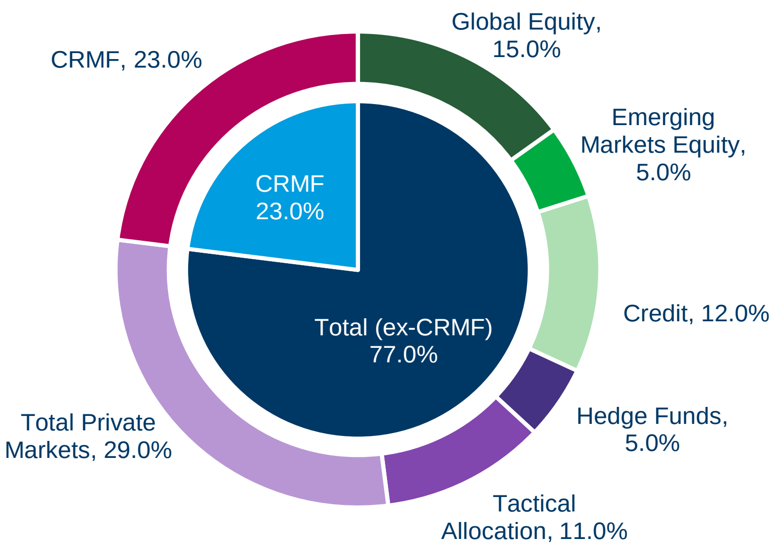
Asset Allocation

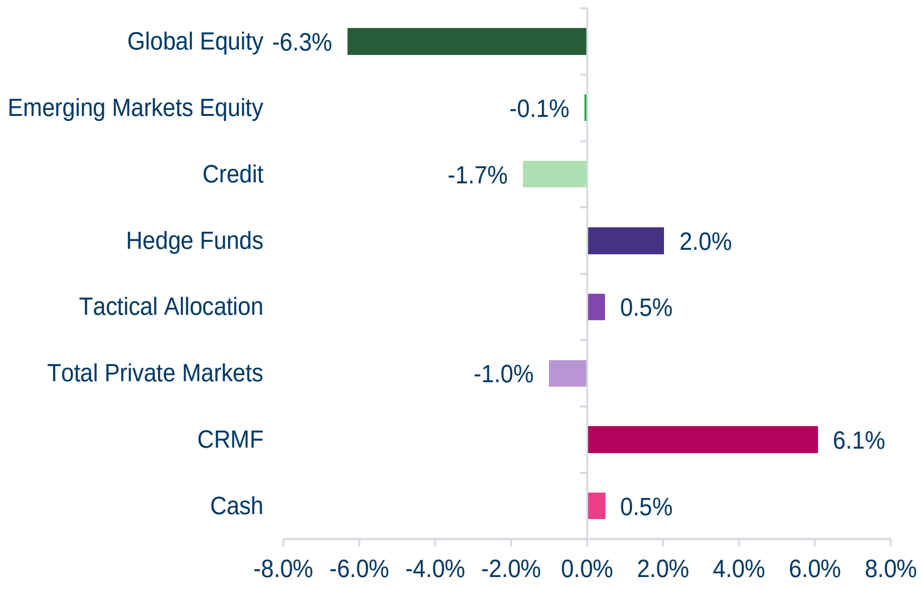
	31/03/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)	30/06/2023 B'mark Range (%)
Total	**2,289.2**	**-9.5**	**6.6**	**2,286.3**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)	1,526.7	77.9	6.1	1,595.7	66.7	70.5	77.0	--
Total CRMF	664.2	--	0.5	664.7	29.0	29.1	23.0	10.0 - 35.0
Cash	98.3	-87.4	0.0	10.9	4.3	0.5	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 2023



Deviation from Benchmark Asset Allocation

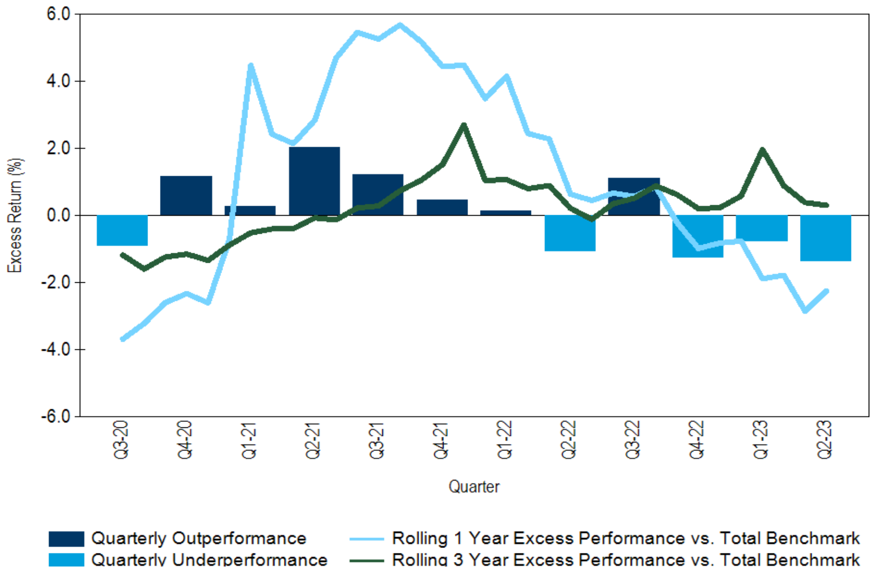


Investment Performance

	2023 Q2 (%)	1 Yr (%)	3 Yrs (% p.a.)	5 Yrs (% p.a.)
Total	**0.3**	**1.4**	**6.0**	**4.8**
Total Benchmark	1.7	3.7	5.7	5.2
Strategic Target (CPI +2.7% p.a.)	2.7	11.4	10.1	7.9
Actuarial Target - Past Service Liabilities (CPI +1.5% p.a.)	2.4	9.8	8.4	6.2
Actuarial Target - Future Service Liabilities (CPI + 2.0% p.a.)	2.5	10.3	8.9	6.8

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. The Actuarial Target set out above is based on the real discount rate agreed at the last actuarial valuation effective 31 March 2022. In practice the Actuary's discount rate has changed since the valuation date and this is taken into account in the ongoing monitoring of the funding position

Relative Performance



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Investment Manager Summary

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Manager Allocation

	Investment Manager	31/03/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)	30/06/2023 B'mark Range (%)
Total		**2,289.2**	**-9.5**	**6.6**	**2,286.3**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)		**1,526.7**	**77.9**	**6.1**	**1,610.7**	**66.7**	**70.5**	**77.0**	**--**
Total Equity		**245.7**	**65.0**	**0.9**	**311.6**	**10.7**	**13.6**	**20.0**	**10.0 - 30.0**
Global Equity		**130.0**	**65.0**	**3.7**	**198.7**	**5.7**	**8.7**	**15.0**	**10.0 - 20.0**
WPP Global Opportunities	Russell	130.0	-132.8	2.8	--	5.7	--	--	--
WPP Sustainable Active Equity	Russell	--	197.8	0.9	198.7	--	8.7	15.0	10.0 -- 20.0
Emerging Markets Equity		**115.7**	**--**	**-2.8**	**112.9**	**5.1**	**4.9**	**5.0**	**2.5 – 7.5**
WPP Emerging Markets Equity	Russell	115.7	--	-2.8	112.9	5.1	4.9	5.0	2.5 – 7.5
Total Credit		**230.7**	**--**	**5.1**	**235.8**	**10.1**	**10.3**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	230.7	--	5.1	235.8	10.1	10.3	12.0	10.0 – 14.0
Total Hedge Funds		**159.3**	**--**	**1.5**	**160.8**	**7.0**	**7.0**	**5.0**	**2.5 – 7.5**
Hedge Funds	Man	159.3	--	1.5	160.8	7.0	7.0	5.0	2.5 – 7.5
Total Tactical Allocation		**262.5**	**-1.7**	**1.5**	**262.3**	**11.5**	**11.5**	**11.0**	**9.0 - 13.0**
Best Ideas	Various	262.5	-1.7	1.5	262.3	11.5	11.5	11.0	9.0 - 13.0
Total Private Markets		**628.5**	**14.6**	**-2.9**	**640.1**	**27.5**	**28.0**	**29.0**	**15.0 – 37.0**
Private Markets		**628.5**	**11.0**	**-2.9**	**636.5**	**27.5**	**27.8**	**29.0**	**--**
WPP Private Markets		**--**	**3.6**	**0.0**	**3.6**	**--**	**0.2**		**--**
Property	Various	135.7	1.8	-3.0	134.5	5.9	5.9	4.0	2.0 - 6.0
Private Equity	Various	201.1	0.7	-1.3	200.5	8.8	8.8	8.0	6.0 - 10.0
Local / Impact	Various	90.1	3.5	2.5	96.1	3.9	4.2	6.0	4.0 – 8.0
Private Credit	Various	60.6	-2.8	0.5	58.3	2.6	2.6	3.0	1.0 - 5.0
Timber/ Agriculture	Various	11.9	0.0	-0.2	11.7	0.5	0.5	--	--
Total Infrastructure		**129.0**	**11.5**	**-1.5**	**139.0**	**5.6**	**6.1**	**8.0**	**6.0 - 10.0**
Infrastructure	Various	129.0	7.9	-1.5	135.4	5.6	5.9	8.0	6.0 - 10.0
WPP Infrastructure	Various	--	3.6	0.0	3.6	--	0.2		

	Investment Manager	31/03/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/06/2023 Market Value (£M)	31/03/2023 Allocation (%)	30/06/2023 Allocation (%)	30/06/2023 B'mark (%)	30/06/2023 B'mark Range (%)
Total CRMF		**664.2**	**--**	**0.5**	**664.7**	**29.0**	**29.1**	**23.0**	**10.0 - 35.0**
Cash and Risk Management Framework (CRMF)	Insight	664.2	--	0.5	664.7	29.0	29.1	23.0	10.0 - 35.0
Cash		**98.3**	**-87.4**	**0.0**	**10.9**	**4.3**	**0.5**	**0.0**	**0.0 - 5.0**
Cash		98.3	-87.4	0.0	10.9	4.3	0.5	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.
Hedge Funds (Legacy) valuation includes the Liongate portfolios.

Manager Performance

	Investment Manager	2023 Q2 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total		**0.3**	1.7	**1.4**	3.7	**6.0**	5.7	**4.8**	5.2
Total Equity		**0.5**	1.6	**5.8**	6.4	**5.8**	7.6	**4.8**	6.9
WPP Sustainable Active Equity	Russell	0.5	1.0	--	--	--	--	--	--
WPP Emerging Markets Equity	Russell	-2.4	-1.5	1.1	-1.3	--	--	--	--
Total Credit		**2.2**	2.1	**4.6**	7.3	**0.8**	4.9	**0.5**	3.7
WPP Multi-Asset Credit	Russell	2.2	2.1	4.6	7.3	--	--	--	--
Total Hedge Funds		**1.0**	2.0	**1.5**	6.7	**4.7**	4.7	**1.4**	4.6
Hedge Funds	Man	1.0	2.0	1.5	6.7	4.7	4.7	1.4	4.6
Total Tactical Allocation		**0.6**	2.8	**1.2**	11.2	**9.2**	9.4	**6.3**	7.4
Best Ideas	Various	0.6	2.8	1.3	11.2	9.1	9.0	6.7	7.1
Total Private Markets		**-0.5**	2.1	**1.7**	4.1	**11.9**	6.0	**10.0**	5.5
Private Markets		**-0.5**	2.1	**1.7**	4.1	**11.9**	6.0	**10.0**	5.5
WPP Private Markets		**0.0**	0.0	**--**	**--**	**--**	**--**	**--**	--
Private Equity	Various	-0.6	2.3	4.8	8.3	17.8	6.2	14.9	6.1
Property	Various	-2.2	1.0	-12.8	-16.9	1.5	3.9	2.9	2.5
Local / Impact	Various	2.7	2.3	12.5	8.3	--	--	--	--
Private Credit	Various	0.9	1.8	-1.0	7.5	6.5	7.5	5.4	7.5
Timber/ Agriculture	Various	-1.3	2.3	10.2	8.3	7.5	6.2	5.4	6.1
Total Infrastructure		**-1.0**	2.3	**7.9**	8.3	**10.5**	6.2	**9.1**	6.1
Infrastructure	Various	-1.1	2.3	7.9	8.3	10.5	6.2	9.1	6.1
WPP Infrastructure	Various	0.0	0.0	--	--	--	--	--	--
Total CRMF		**0.1**	0.1	**-12.2**	-12.2	**-1.1**	-1.1	**0.6**	0.6
Cash and Risk Management Framework (CRMF)	Insight	0.1	0.1	-12.2	-12.2	-1.1	-1.1	0.6	0.6

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.
For periods over one year the figures in the table above have been annualised.
Prior to 30 November 2020, performance for all portfolios and sub-totals/total was estimated based on MWRR approach.
Russell Emerging Markets portfolio 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.
Sustainable Active Equity performance shown represents the partial period return since inception date (20 June 2023) estimated with unit prices

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Manager Ratings

Asset Class	Investment Manager	12m Perf	3yr Perf
WPP Sustainable Active Equity	Russell	--	--
WPP Emerging Markets Equity	Russell	🟢	--
WPP Multi-Asset Credit	Russell	🔴	--
Hedge Funds	Man	🔴	🟢
Best Ideas	Various	🔴	🟢
Private Equity	Various	🔴	🟢
Property	Various	🟢	🔴
Local / Impact	Various	🟢	--
Private Credit	Various	🔴	🔴
Timber / Agriculture	Various	🟢	🟢
Infrastructure	Various	🔴	🟢
WPP Infrastructure	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	31/03/23 B'mark (%)	30/06/23 B'mark (%)	Performance Benchmark
Total		**100.0**	**100.0**	**-**
Total (ex-CRMF)		**77.0**	**77.0**	**-**
Total Equity		**20.0**	**20.0**	**Composite Weighted Index**
WPP Global Opportunities	Russell	10.0	--	MSCI AC World (NDR) Index +2.0% p.a.
WPP Sustainable Active Equity	Russel	--	15.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Emerging Markets Equity	Russell	10.0	5.0	MSCI Emerging Markets Index + 1.5%
Total Credit		**12.0**	**12.0**	**SONIA +4.0% p.a.**
WPP Multi-Asset Credit	Russell	12.0	12.0	SONIA +4.0% p.a.
Total Hedge Funds		**7.0**	**5.0**	**SONIA +3.5% p.a.**
Hedge Funds	Man	7.0	5.0	SONIA +3.5% p.a.
Total Tactical Allocation		**11.0**	**11.0**	**UK Consumer Price Index +3.0% p.a.**
Best Ideas	Various	11.0	11.0	UK Consumer Price Index +3.0% p.a.
Total Private Markets		**27.0**	**29.0**	**Composite Weighted Index**
Property	Various	4.0	4.0	MSCI UK Monthly Property Index
Private Equity	Various	8.0	8.0	SONIA +5.0% p.a.
Local / Impact	Various	4.0	6.0	SONIA +5.0% p.a.
Private Credit	Various	3.0	3.0	Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	--	SONIA +5.0% p.a.
Infrastructure	Various	8.0	8.0	SONIA +5.0% p.a.
WPP Infrastructure	Various	--		SONIA +5.0% p.a.
Total CRMF		**23.0**	**23.0**	**Composite Liabilities & Synthetic Equity**
Cash and Risk Management Framework (CRMF)	Insight	23.0	23.0	Composite Liabilities & Synthetic Equity

Figures may not sum to total due to rounding.
Performance benchmark for WPP Global Opportunities and Russell Emerging Markets portfolios include the outperformance target.
Private 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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Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 30 August 2023
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 2023 of 107% is 2% ahead of the expected position. This is now calculated using the updated assumptions and liabilities in the Actuarial Valuation 2022.

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 2023 is c. £120.3m. The currency hedging positions have made a loss of £28.7m in total since inception to 30 June 2023 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 healthy financial position, despite a challenging market environment. The Fund has benefitted from having the Flightpath in place, as it has served to reduce risk in the investment strategy relative to the Fund's liabilities. Whilst the relative performance of the components has varied, overall the Flightpath framework has performed as expected over recent periods. The recent negative return performance shown is mainly as a result of rising interest rates, and this will be offset as the liability value will have fallen helping to stabilise the funding position.

A number of the interest rate triggers were hit over June and July 2023, allowing the Fund to purchase gilts at attractive levels. This has increased the interest rate hedge ratio from c. 58% to c. 67% on the current hedging basis. The inflation hedge ratio remains at c. 40% on this basis.

The current hedging basis is based on market conditions as at the 2019 Actuarial Valuation. The FRMG is currently updating the liability benchmark for the 2022 Actuarial Valuation cashflows and as part of this the hedging basis will be revised. Once the hedging basis is updated, the hedge ratios will be re-expressed on the new basis. There will be no change to the gilt exposure gained through the risk management framework as a result. However, given the large increases in real yields since the last time the hedging basis was updated, we expect that the interest rate and inflation hedge ratios will be lower than Insight are currently reporting once the basis is updated.

RECOMMENDATIONS	
1	That the Committee note and consider the contents of the report and the various actions taken.

REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	**Update on funding and the flightpath framework** The monthly summary report as at 30 June 2023 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 1. This uses the assumptions and liabilities calculated from the Actuarial Valuation 2022. 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 principal objectives of the framework.
1.02	The estimated funding level is 107% at 30 June 2023, which is 2% ahead of the expected position when measured relative to the 2022 valuation expected funding plan. The expected funding level will reduce over time as employers are using part of the valuation surplus in line with the agreed employer contributions commenced from 1 April 2023. The investment environment has continued to be bearish over 2023-to-date amid rising inflation and interest rates. A trigger of 110% is in place to prompt future Funding & Risk Management Group (FRMG) de-risking discussions and based on the formal protocol agreed by the Committee. The 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 in future. This trigger will be kept under review over time.
1.03	The level of hedging was approximately 60% for interest rates and 40% for inflation at 30 June 2023 based on the current hedging basis. The liability hedging portfolio performed negatively over the quarter to 30 June 2023 as real yields rose significantly across all maturities over the quarter. The hedging implemented to date provides access to a lower risk investment strategy by maintaining a sufficiently high real yield/return expectation to achieve the funding and contribution targets. Following the increase in gilt yields over June and July 2023, a number of the triggers were hit, which prompted Insight to implement the following actions: • 13 June: The 4.5% yield trigger was hit in the shortest maturity band (band 1) meaning all 4.5% yield triggers have been hit; • 19 June: The 4.75% yield trigger was hit in maturity band 1. • 6 July: The 5.0% yield trigger was hit in maturity band 1 and the 4.75% trigger was hit in maturity band 2. • 7 July: The 4.75% yield trigger was hit in maturity band 3. The activity has increased the interest rate hedge ratio to c. 67%, with the inflation hedge ratio unchanged at 40%. Transaction costs for the activity totalled c. £64.4k which was in the expected cost range for trading of this size. Following the triggers being hit, collateral remains in a healthy position,

	with the portfolio currently able to withstand an interest rate rise in excess of 5% (i.e. to over 9%) whilst supporting suitable stresses on the other hedging exposures (equity and FX), without drawing on the existing collateral waterfall. With regard to this, the portfolio is in line with guidance issued by the Pensions Regulator in April 2023 as per paragraph 1.04 below. The current hedging basis is based on market conditions as at the 2019 Actuarial Valuation. The FRMG is currently updating the liability benchmark for the 2022 Actuarial Valuation cashflows and as part of this the hedging basis will be revised. Once the hedging basis is updated, the hedge ratios will be re-expressed on the new basis. There will be no change to the gilt exposure gained through the risk management framework as a result. However, given the large increases in real yields since the last time the hedging basis was updated, we expect that the interest rate and inflation hedge ratios will be lower than Insight are currently reporting once the basis is updated.
1.04	The Fund remains in compliance with the TPR guidance on collateral levels, with comfortable levels of collateral to support the current hedges in place and to take advantage of opportunities through the market based interest rate and inflation trigger framework should they arise. The Fund has a robust governance framework to monitor collateral levels and take action quickly as needed, and further liquidity can be sourced from liquid assets held outside the Insight Mandate at short notice if required.
1.05	Based on latest data available from Insight, Mercer's analysis shows that the management of the Insight Liability Hedging mandate is rated as "green" as at 31 March 2023, meaning it is operating in line within the tolerances monitored by Mercer. The Cash Plus Fund is rated "green" as the Fund had sufficient collateral to withstand the stresses as at 31 March 2023, although additional collateral was required to bolster the position and enable the Fund to take advantage of opportunities. The Cash Plus Fund has underperformed since inception and over Q1 2023. The collateral waterfall has returned £6.5m at 31 March 2023 since implementation at 31 January 2019. The collateral waterfall structure is reviewed on an ongoing basis and further work has been carried out to understand the liquidity of the wider investment strategy and where capital could be sourced at short notice, should it be required in future to supplement available collateral within the Flightpath. Following completion of this work and the investment strategy review, the remaining assets within the collateral waterfall are to be divested to fund the allocation to WPP Sustainable Equity in line with the agreed strategy. Officers and Mercer are comfortable that following this divestment, the portfolio will continue to comfortably comply with the latest TPR guidance as noted in 1.04 above.
1.06	**Update on Risk Management framework** (i) <u>Synthetic equity and equity protection strategy</u> The Fund gains exposure to equity markets via derivatives and protects

	the majority of 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 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 falls in equity markets. Importantly over the longer-term the increased certainty allows the Actuary to include less prudence/buffer in the Actuarial Valuation assumptions; this translates into lower contributions at each valuation (all other things equal), whilst maintaining the equity exposure. The Fund has a bespoke synthetic equity and equity protection strategy, which is implemented through a Total Return Swap ("bespoke 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. The Fund implemented c. £215m of exposure in long-only synthetic equity positions in October and November 2022 to replicate the exposure lost through equity sales to support the collateral position within the Flightpath on a temporary basis. These will be unwound as the WPP Sustainable Equity allocation is funded. Both positions consist of broad developed market exposure and are implemented through vanilla equity total return swap. Unlike the custom TRS, these vanilla swaps have no protection in place and rise and fall with equity markets. As at 31 March 2023, these swaps had experienced a gain of c. £13m since inception. Following the initial £65m tranche of funding of the WPP Sustainable Active Equity Fund on 21 June 2023, an equivalent amount of vanilla/unhedged synthetic equity exposure was unwound on 30 June 2023, ensuring the Fund was not overweight its strategic allocation to equities. As at 30 June 2023, the total performance since inception of the bespoke TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £120.3m. Relative to investing in passive equities (and assuming no costs to do so), the strategy has underperformed by c. £88m 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.
1.07	(ii) <u>Currency hedging gain/loss</u> The currency risk associated with the market value of the synthetic equity strategy is hedged and has made a loss of £16.5m since inception on 8 March 2019 to 30 June 2023 due to the material weakening of sterling over that period, particularly versus the US dollar. The Fund's overseas developed market physical equity holdings are currency hedged and have made a loss of c. £12.2m since inception of the strategy due to the material weakening of sterling versus the US dollar over that period.

	Overall the action to hedge the Fund's developed equity currency risk has resulted in a loss of £28.7m since inception of the strategies, although this is expected to be fully offset by rises in value of the overseas equity holdings due to these same currency movements.

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

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	None 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): • 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 2023

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	• 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. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **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 (h) **Vanilla/unhedged Synthetic Equity** – Derivative contracts that enable the Fund to gain exposure to broad equity markets with no embedded equity protection. The change in value of vanilla contracts is perfectly correlated to the change in the value of broad equity market indices. (i) **TPR LDI Guidance** – Guidance issued by the Pensions Regulator in April 2023 covering the use of leveraged liability-driven investment by pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/liability-driven-investment) Further terms are defined in the Glossary in the report in Appendix 1

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Risk management framework

Monthly Monitoring Report: 30 June 2023

Clwyd Pension Fund

July 2023

Nick Page FIA CERA

welcome to brighter

Overriding objectives

Stable and affordable contribution rate

Versus

Achieve returns in excess of CPI required under funding arrangements

Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns

Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

Executive summary

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

Tudalen 525

Overall funding position at 30 June 2023

- Broadly in line with expected funding level
- Funding level above 100%

The funding position is 107% which is ahead of the expected funding level from the 2022 valuation by 2%. There is continuing uncertainty in the outlook for future returns and inflation which is being considered when updating the funding position.

Liability hedging mandate at 31 March 2023

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q2 2023
- Hedge ratios broadly in line with new target levels

No interest rate triggers breached in Q1 2023.

Interest rate triggers were hit in May 2023.

Synthetic equity mandate at 30 June 2023

- Insight in compliance with investment guidelines
- Underperformed the benchmark over the month

A dynamic protection structure was implemented in late May 2018, with refinements made in November 2020. The TRS structure rolled on 23 May 2021 with no further changes to the strategy. No action required.

Currency hedging at 30 June 2023

- Currency hedging overlay implemented in the QIAIF in August 2019
- As at 30 June 2023, the market value of the currency hedge on physical equities since inception on 22 August 2019 was -£12.2m

No action required.

Cash Plus Funds, collateral and counterparty position at 31 March 2023

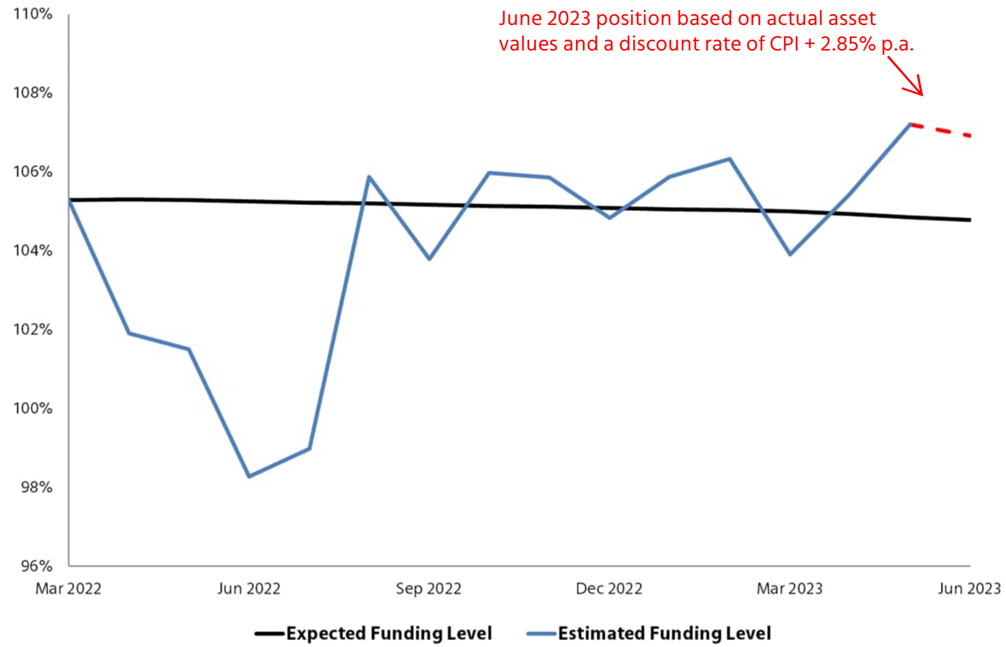
- The Cash Plus Fund has underperformed the benchmark since inception and also over the quarter. We will continue to monitor performance.
- The Insight QIAIF can sustain over a 3.0% rise in interest rates or over 3.0% fall in inflation without eliminating all headroom.

Overall, the collateral waterfall has returned £6.5m at 31 March 2023 since implementation at 31 January 2019 versus the previous structure.

The Fund has sufficient collateral to withstand the stresses as at 31 March 2023. No action required.

Funding level monitoring to 30 June 2023

Estimated funding position since 31 March 2022



Funding Level Triggers

A funding level trigger is in in place to prompt FRMG discussions regarding potential actions as the funding level approaches 110%.

This funding level will be monitored approximately by Mercer on a daily basis and if the trigger is breached an FRMG will be convened to discuss any required actions including whether a de-risking step should be undertaken via a change in the long term investment strategy. This will consider the impact on the risk/return profile and any effect on employer contribution requirements.

Comments

The **black line** shows a projection of the *expected* funding level from 31 March 2022 based on the assumptions (and contributions) outlined as part of the 2022 actuarial valuation. The expected funding level at 30 June 2023 was around 105%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 31 May 2023. The **red dashed line** shows the progression of the estimated funding level over June 2023. At 30 June 2023, we estimate the funding level and surplus to be:

107% / £148m

This update shows that the Fund's position at 30 June 2023 was ahead of the expected funding level from the 2022 valuation by 2%. New employer contributions from the valuation commenced from 1 April 2023 and over time the funding level is expected to fall due to employers running off the surplus.

Uncertainty continues to be prevalent in the investment and fiscal environments due to the Global and UK economic outlook – in particular UK inflation which has a direct impact on the Fund's liabilities. When assessing the funding levels above, we have incorporated an allowance for actual monthly CPI inflation to provide a better estimate of next years pension increase and therefore liability cashflows. When determining the appropriate discount rate, we have allowed for the correlation of asset returns to the change in real yields from the valuation date along with an appropriate adjustment to the expected return for growth assets due to the economic outlook, in line with the approach agreed at FRMG.

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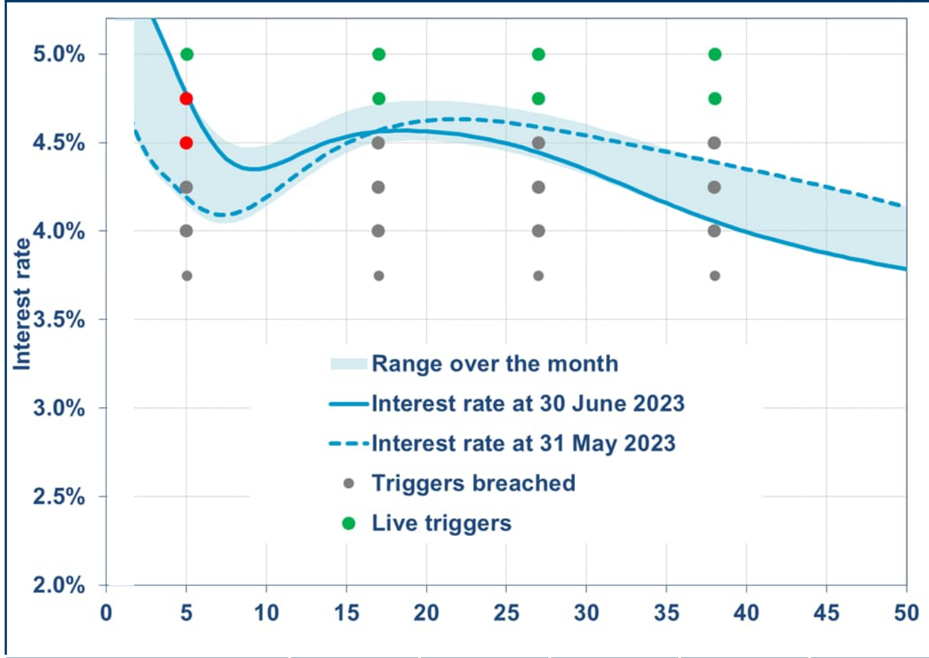
Update on market conditions and triggers

Tudalen 527

Change in interest rates

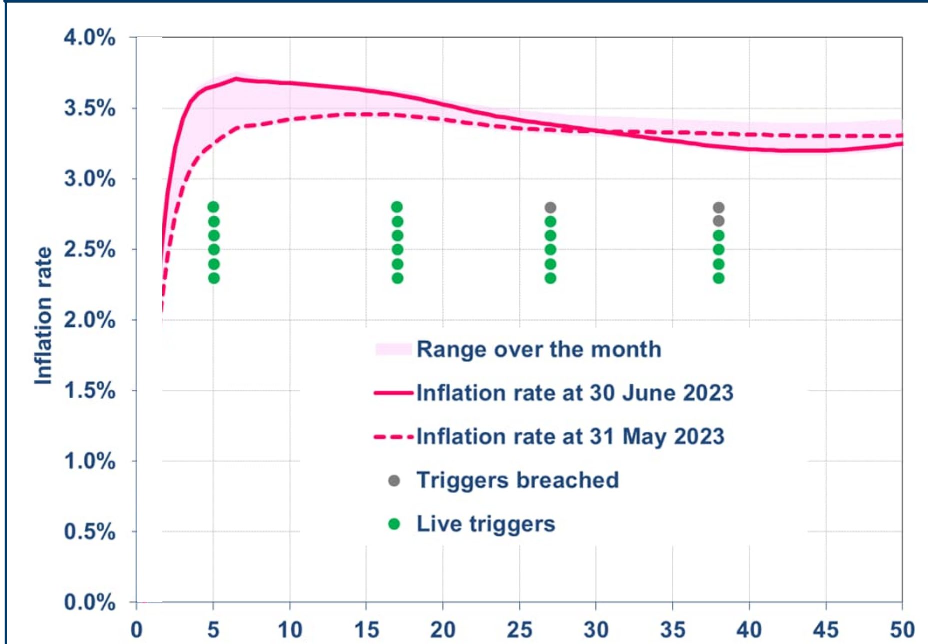


Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2023	50.6%	52.1%	50.9%	49.4%	50.9%

Comments

Relative to the position at the end of May, the yield curve twisted over the month of June, rising at the short end of the curve and falling at the long end. As at 30 June 2023, the fourth interest rate trigger has been breached in all maturity bands. The fifth trigger has also been traded for maturity band 1. This has resulted in the benchmark interest rate hedge ratio increasing by c.2% to c. 60% on the current hedging basis. During July further triggers have been hit which will be shown in the July report.

Change in inflation rates



Date	Band 1	Band 2	Band 3	Band 4	Actual
31 March 2023	32.3%	24.9%	41.9%	67.9%	40.5%

Comments

Inflation expectations rose at the short end of the curve and fell slightly at the long end of the curve over June 2023.

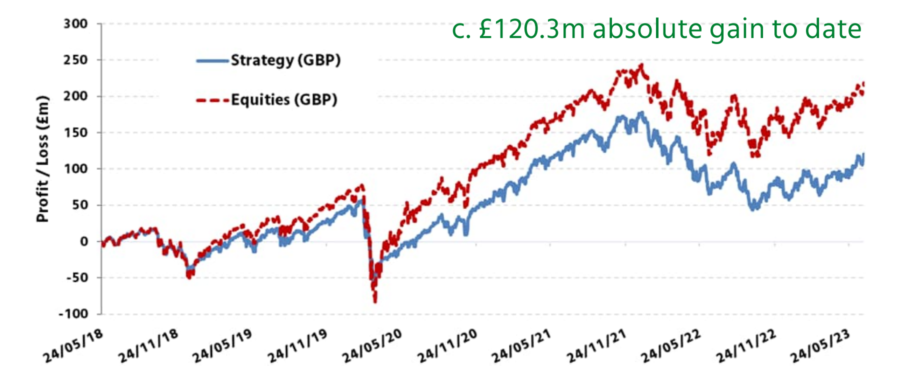
Note, we are in the process of refreshing the liability benchmark and the hedging basis following the 2022 actuarial valuation.

*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 528

Strategy versus equity index

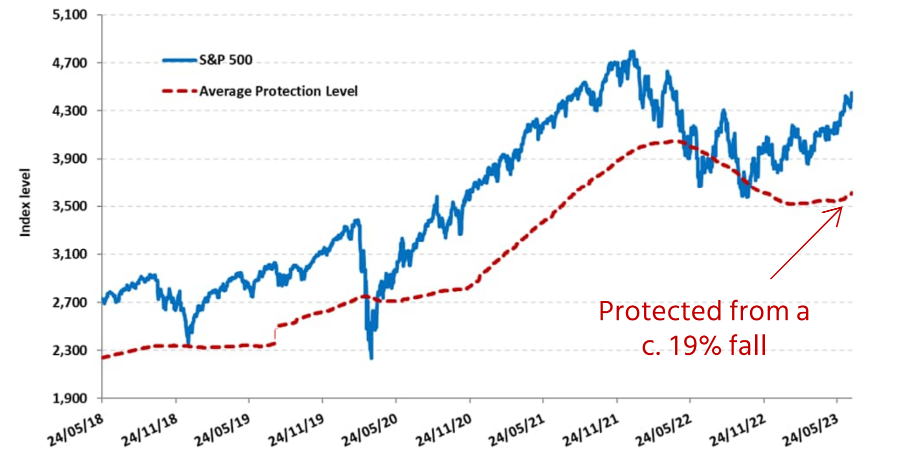


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	6.9%	(0.8%)	0.0%	0.0%	6.1%	(0.8%)
YTD	17.8%	(3.8%)	0.2%	(0.2%)	14.1%	(3.8%)
SI (per annum)	9.4%	(3.2%)	(1.3%)	(0.6%)	5.8%	(5.1%)

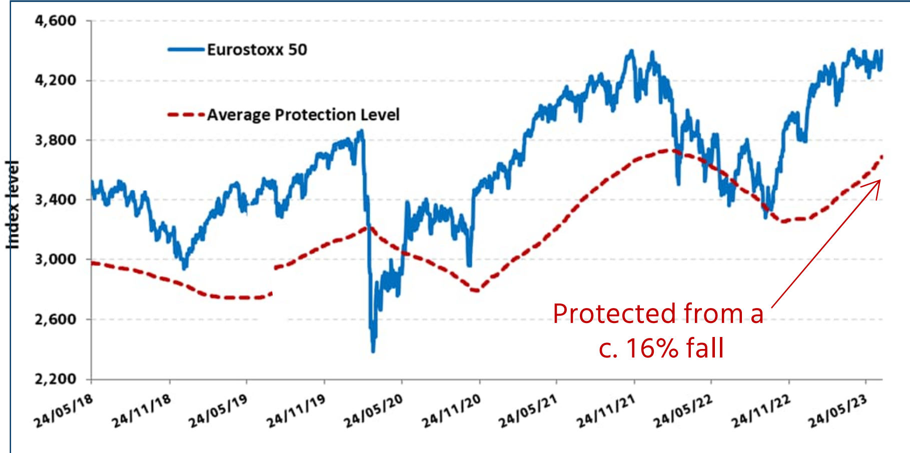
Comments

- The Fund implemented a dynamic equity protection strategy on 24 May 2018 with exposure of £362m. The equity protection strategy was revised in Q4 2020, increasing the call frequency to 2 weekly. This ensures that the Fund can participate in more upside as equity markets rise. The TRS structure was extended for a further 3 years on 23 May 2021 with no further changes to the strategy.
- Equity markets rose over June, leading to a positive return on the equity protection strategy. This was tempered by a small negative return on the hedging leg, with marginal positive returns experienced on the financing leg.
- The strategy underperformed passive equities over the month. As at 30 June 2023, there was a gain of c. £120.3m on the strategy since inception.
- From inception on 8 March 2019 to 30 June 2023, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £16.5m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.

US equity exposure

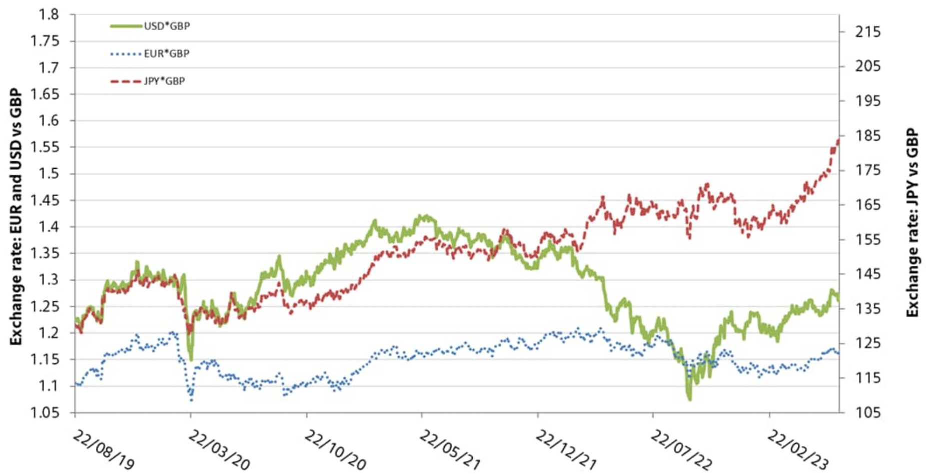


European equity exposure (note: different scale)



Developed market physical equity currency hedge

Sterling denominated FX rate



Comments

- A currency hedge was placed on the physical, developed equity portfolio to lock-in gains from sterling weakness and reduce currency risk.
- The hedge has been implemented via a currency overlay, using 3 month forward contracts, within the Insight QIAIF. The hedge is updated quarterly to allow for changes in the underlying equity exposure.
- As at 30 June 2023, the market value of the currency hedge since inception on 22 August 2019 was -£12.2m.
- The market value of the currency hedge rose over June as sterling appreciated against the dollar and the yen, which offset minor depreciation against the euro.

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 May 2023
EUR	12%	£1.7m	(£0.1m)
JPY	8%	£4.9m	£0.4m
USD	80%	(£18.8m)	£1.8m
	100%	**(£12.2m)**	**£2.2m**

*Insight transacted on the currency hedge on 22 August 2019.

Figures may not sum due to rounding.

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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.

Important notices

Tudalen 531

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