Pecyn Dogfen Gyhoeddus

Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)

Swyddog Cyswllt:
Janet Kelly 01352 702301
janet.kelly@flintshire.gov.uk

At: Cyng Ted Palmer (Cadeirydd)

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

Aelodau Cyfetholedig:
Steve Hibbert, Y Cynghorwyr. Andrew Rutherford, Gwyneth Ellis a
Anthony Wedlake

Dydd Iau, 23 Tachwedd 2023

Annwyl Gynghorydd

RHYBUDD O GYFARFOD HYBRID
PWYLLGOR CRONFA BENSIWN CLWYD
DYDD MERCHER, 29AIN TACHWEDD, 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 30th Awst 2023

4 **DATGANIAD Y STRATEGAETH FUDDSODDI** (Tudalennau 15 - 54)

Pwrpas: Cyflwyno'r Datganiad Strategaeth Fuddsoddi ddrafft a ddiweddarwyd i Aelodau'r Pwyllgor, ac i nodi rhesymeg ar gyfer adolygu'r strategaeth fuddsoddi a chytuno i ddiweddaru Cynllun Busnes 2023/24 fel bo'n briodol.

5 **ADRODDIAD BLYNYDDOL A CHYFRIFON CRONFA BENSIYNAU CLWYD 2022/23** (Tudalennau 55 - 242)

Pwrpas: Darparu Aelodau'r Pwyllgor ag Adroddiad Blynyddol a Chyfrifon Cronfa Bensiynau Clwyd a archwiliwyd, a'r Llythyr Sylwadau ar gyfer eu cymeradwyo, a nodi'r adroddiad archwilio allanol.

6 **Y WYBODAETH DDIWEDDARAF AM DDADANSODDI NEWID HINSAWDD** (Tudalennau 243 - 318)

Pwrpas: Cyflwyno Adroddiad Tasglu arfaethedig ar gyfer Datgeliadau Ariannol yn ymwneud â'r Hinsawdd a'r Dadansoddiad ar gyfer Trawsnewid Hinsawdd, i'w nodi a rhoi sylwadau.

7 **DIWEDDARIAD LLYWODRAETHU AC YMGYNGHORIADAU** (Tudalennau 319 - 378)

Pwrpas: Rhoi diweddariad i Aelodau'r Pwyllgor ar faterion perthnasol i lywodraethu.

8 **DIWEDDARIAD GWEINYDDU PENSIWN/ CYFATHREBU** (Tudalennau 379 - 426)

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

9	**Y WYBODAETH DDIWEDDARAF AM FUDDSODDI A CHRONNI** (Tudalennau 427 - 502)	
	Pwrpas:	Cyflwyno diweddariad i Aelodau'r Pwyllgor ar faterion buddsoddi a Phartneriaeth Pensiwn Cymru.
10	**CYLLID A PHERFFORMIAD BUDDSODDI** (Tudalennau 503 - 556)	
	Pwrpas:	Rhoi diweddariad i Aelodau'r Pwyllgor ar yr economi a'r farchnad, y sefyllfa ariannu gyfredol, a pherfformiad buddsoddi'r Gronfa.
11	**CYFARFODYDD YN Y DYFODOL**	
	Pwrpas:	Cynhelir cyfarfodydd o Gronfa Bensiwn Clwyd yn y dyfodol am 9.30 am ar:- 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.

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND COMMITTEE
30 August 2023

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held as a hybrid meeting at County Hall at 9.30am on Wednesday, 30 August 2023, with remote attendance available via Zoom.

PRESENT: Councillor Ted Palmer (Chairman)
Councillors: Jason Shallcross, Antony Wren, Sam Swash

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

ALSO PRESENT (AS OBSERVERS): Phil Pumford (PFB Scheme member representative)

APOLOGIES: Cllr Dave Hughes (Flintshire County Council)

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

Officers/Advisers comprising: Debbie Fielder (Deputy Head of Clwyd Pension Fund), Karen Williams (Pensions Administration Manager), 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
Michelle Phoenix (Audit Wales)

The Chair welcomed Michelle Phoenix of Audit Wales who would be presenting the audit plan at item 3. He also explained that as this meeting had a very full agenda, there were a number of items for noting only that would not be presented in detail, however comments and questions regarding those reports would be invited as usual.

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 new declarations of interest.

2. **MINUTES 29 MARCH 2023**

Mr Hibbert confirmed with respect to page 11 of the minutes that Mrs Fielder had forwarded further communication from Robeco, the contents of which would be best addressed under agenda item 13.

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.

3. **DRAFT ANNUAL REPORT INCLUDING ACCOUNTS 2022/23**

The background to the audit plan was introduced by Michelle Phoenix, the Financial Audit Manager with Audit Wales who are responsible for the external audit of the Fund. She explained that the detailed audit plan for the 2022-23 audit contains key messages for the attention of the Committee, and highlighted that there would be a new approach to the audit this year due to the implementation of the International Standard of Auditing 315 (ISA 315). ISA 315 puts a greater emphasis on the planning of the audit and involves a very granular approach looking in great detail at the Fund's accounts and internal controls, and identifying risks specific to the audit. This means a more focussed audit with more work being undertaken before the audit of the financial statements can commence. This change has contributed to an increased fee: 10.2% of the increase was due to ISA 315, as well as additional costs due to inflation.

She noted that two members of the audit team are deferred members of the Fund, however safeguarding measures were put in place to ensure this did not impact the independence of the audit.

Mrs Fielder took the Committee through the draft Annual Report and Accounts, which LGPS regulations require to be published before December 1 each year. She confirmed that Flintshire County Council's Section 151 Officer has reviewed the accounts and his comments were incorporated. She thanked Mercer for their support in preparing the report and noted that this document was to be considered in draft, and further work would be done around presentation and accessibility before bringing the final audited version for approval to Committee on November 29.

Mrs Fielder noted that in the preparation of its draft Annual Report, the Fund aims to comply with CIPFA guidance. She highlighted on page 152 of the pack the actual cost compared to budget which showed a £4.9 million overspend on the £23.7 million budget, which was mainly driven by a £5.5 million overspend on investment management expenses. Mrs Fielder explained the investment management expenses and noted last year that the Fund had underbudgeted for investment fees, particularly performance fees on the private market portfolio.

She talked the Committee through the accounts and financial report including cashflows compared to the budget and explained the reasons behind some of the variances. She then continued through the remaining sections of the Annual report including the key strategies and policies that would be included in section 5 of the final report.

Mr Hibbert commented that he finds the annual report to be a good way of judging progress made by the Fund across many areas. He thanked everyone involved for the work done and progress made over the year.

Cllr Swash noted the Good Economy Factsheet referenced within the report. He commented with reference to the 10% invested in Wales, around half of which was invested in Clwyd, that he would like to review this data in more detail. He thanked officers for providing this report.

RESOLVED:

a) The Committee considered the Fund's draft Annual Report for 2022/23 including the draft Statement of Accounts.
b) The Committee noted and commented on the Audit Wales plan.
c) The Committee noted the Audit Enquiries letter and response.

4. DLUHC CONSULTATION ON LGPS: NEXT STEPS ON INVESTMENTS

Mr Latham took the Committee through this report. Officers and advisers proposed a draft response to the consultation, but noted that the final response should come from the Committee. The Committee were therefore being asked to provide any comments. The proposed response had been drafted from the point of view of Clwyd Pension Fund. Other funds within the LGPS are likely to be affected in different ways so will pick up on different issues.

Mr Latham noted that WPP will be submitting its own response to the consultation which the Officer Working Group and the I, as a member of the Joint Governance Committee, would have the opportunity to input into. It is hoped that there will be consistency in responses from funds across Wales and the appendix therefore notes key areas where the Fund intends to take views from WPP once their response is agreed on.

The Consultation document did not state if WPP would be exempt from the proposed future minimum £50 billion pool size. However, DHLUC officials have suggested that there is no intention to require cross border pooling so WPP will be given an exemption. This may be emphasized in the WPP response. Mr Latham explained that the Fund's response had been drafted on the basis that the

Committee was happy for WPP to continue in its current arrangement and asked the Committee to confirm that this was the case, to which there were no objections.

He then talked through the key points of the draft response where officers' and advisers' views did not align with the proposals within the consultation, highlighting:

- The Fund's view that investment strategy should continue to be determined locally by the Committee and that Pools should not provide investment advice as this would appear to be a conflict of interest.
- The proposal that the constituent funds' investment strategies should be closely aligned. The Fund currently has its own liabilities and manages inflation and interest rate risk differently from other funds. Under the proposals the Fund could not continue its existing strategy.
- The Fund was already doing work in levelling up investments, including its work with Good Economy, and aligns with most of the proposals in this area. However, Mr Latham raised concerns about the proposal to report against the twelve levelling-up missions of the current Government. He noted that the industry continues to make progress in reporting against sustainable development goals, and his view that these would be more suitable targets to align with. He also noted that the twelve missions do not appear to include renewable energy.
- The Fund has a long history of investing in private equity which not all LGPS funds do. However he suggested that rather than being restricted to private equity, the definition should be broadened to private markets in order to capture debt investments and other asset classes.

Mr Latham noted that the deadline for responding to the consultation was 2 October 2023, which is before the next scheduled Committee meeting on 29 November.

RESOLVED:

a) The Committee noted and commented on the main points identified for the DLUHC consultation response.
b) The Committee delegated responsibility for approving the final DLUHC consultation response to the Head of Clwyd Pension Fund.

5. **DRAFT STEWARDSHIP CODE SUBMISSION**

The Chair explained that last year the Fund was accepted as a signatory to the new stewardship code and that this formally recognised the work done by the Fund in asset stewardship. It was proposed that the Fund would reapply this year in order to maintain signatory status.

Mr Dickson explained that the stewardship report now covers all asset classes. He highlighted on page 225 the 12 principles under which the Fund reports against the stewardship code, and explained that the report is set out to address each principle. The Fund had incorporated FRC's detailed feedback on the previous year's submission into the draft report. The deadline for submission is 23 October 2023, before the next Committee meeting and therefore the Committee was asked to provide any feedback and suggest changes, and delegate approval for the final version to the Head of Fund. He noted that any changes to the Responsible Investment (RI) policy agreed at this meeting would be reflected in the final stewardship report to demonstrate how the Fund is continuing to make progress while still reporting on the period ending 31 March 2023.

RESOLVED:

a) The Committee considered and commented on the contents of the draft Stewardship Code submission.
b) The Committee delegated responsibility for approving the final submission to the Head of Clwyd Pension Fund.

6. **RESPONSIBLE INVESTMENT POLICY WITHIN THE INVESTMENT STRATEGY STATEMENT**

The Chair explained that the Fund held a number of training sessions on this topic, and that the proposed responsible investment wording had been circulated in advance of the meeting and was now being brought to the Committee for approval.

Mr Turner talked the Committee through the RI section of the Investment Strategy Statement (ISS), highlighting key areas of change.

- The first major change was the establishment of a clear six-stage framework to assess the appropriateness and potential impact of any exclusions considered by the Committee, on page 227 of the pack.
- On page 330, changes were made to the wording of target 4, addressing investment in sustainable mandates by 2030 within the listed equity portfolio. The target had been changed from 30% to 100% by 2030, reflecting the Fund's switch to the WPP Sustainable Equity sub-fund. This target will require WPP/Russell to investigate the possibility of a sustainable emerging markets sub-fund. If this is not practicable, the Fund would then potentially consider switching these investments into the existing Sustainable Equity sub-fund.

Feedback on the proposed wording had been received from Mr Hibbert and Cllr Swash prior to the meeting:

- Regarding the last paragraph of page 330 and the first of page 331, Cllr Swash had asked if this was sufficiently strong in relation to divestment from fossil fuels, and the Head of Fund had provided a response. Mr Turner explained that this was considered, however it was proposed that the Fund keep the existing wording which was based on the IIGCC

(Institutional Investors Group on Climate Change) definition of fossil fuels companies, which is more comprehensive and captures carbon intensive companies across all sectors including manufacturing, construction and transportation.

- Cllr Swash had also suggested removing some wording in the exclusions policy and this change has been applied.
- Mr Hibbert had suggested some additional wording around taking action to divest from companies where it was considered that engagement was not effective. Based on this feedback the draft wording had been updated while recognising the balance between the Committee's ambition and the practicality of divestment in connection to ongoing discussions of an escalation process within WPP.

Mr Hibbert noted that he approved of the resulting wording.

Mr Turner then took the Committee through the proposed Exclusions Policy within the ISS. He noted the Local Pension Board's statement of approval for the process that had been taken and their support for a Paris aligned investment approach, where appropriate. He confirmed that the Board's proposed change to the exclusions policy would be applied. He explained that the main objective of this part of the ISS was to make clear the Committee's ambitions for exclusions, and how these are balanced against the implementation challenges and ongoing engagement that will be required with WPP.

With reference to the key targets within the Listed Equity portfolio on page 330, Cllr Swash questioned whether the aim "to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030" contradicted the later target "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". Mr Turner explained that this was not viewed as contradictory because even if all assets are invested on a sustainable equity basis, there will be currently carbon intensive companies which have committed to a clear trajectory towards net zero. The proposed wording retains flexibility to invest in those transitioning companies, subject to regular review.

Cllr Swash announced his intention to move an amendment to the strategy with reference to the final two targets within the listed equity portfolio (Page 330-331): For the target beginning "by 2025" he proposed to delete "70%" and replace this with "90%", and in the target beginning "by 2030" he proposed to replace "at least 90% of companies" with "all companies" and delete the phrase "or are subject to engagement to achieve this objective". He felt that this gave a clear and measurable course of action.

Cllr Swash advised that his understanding is that other local authorities aim to be totally divested by 2030, and felt that by comparison, expecting carbon intensive companies to have a net zero plan in place was a relatively minor requirement. He also questioned what criteria the Fund would use to come to a decision on which companies to divest from in order to meet the 90% target, and felt that this was unclear. Finally he felt that specifying the number of companies rather than percentage of investments by value compromises the effectiveness of the strategy as it would enable the Fund to purchase single shares of little value in companies that have plans in place, in order to meet the target, without divesting from any carbon intensive companies. He felt that his proposed changes made clearer the intention of his original motion to amend the ISS, and that by 2025 the Fund would have a non-binding yardstick to measure progress against, while being unambiguous of the requirements by 2030. He also felt that it cleared up any confusion around percentages.

Mr Turner acknowledged that there were several complicated elements to Cllr Swash's amendments and suggested that a detailed response be provided to this outside the meeting to appropriately and carefully consider this. He highlighted that the policy is not limited to companies only involved in fossil fuel sectors and is more comprehensive across all sectors of the economy.

Mr Hibbert commented that it would be difficult to accept the amendment without seeing a detailed response which may influence the outcome.

Cllr Swash motioned to amend the ISS. Addressing the final two targets within the listed equity portfolio on Pages 330-331 of the pack, the amendment was:

- Regarding the target beginning "by 2025": to delete "70%" and replace this with "90%",
- Regarding the target beginning "by 2030": to delete "at least 90% of companies" and replace this with "all companies", and to delete the phrase "or are subject to engagement to achieve this objective".

Cllr Wedlake seconded this motion. A vote by show of hands resulted in a majority against the amendment. Mr Turner confirmed that a detailed written response to the proposal would still be provided for the Committee.

Cllr Wedlake commented that while he recognised there was still work to be done going forward, he was grateful for the input of all parties in contributing to the progress made by the Committee on this matter.

A vote by show of hands was carried out to agree the recommendation for this item. The majority voted in favour. Cllr Swash voted against the recommendation.

RESOLVED:

The Committee noted, commented on, and approved the revised RI Policy of the ISS, for consultation.

7. **GOVERNANCE UPDATE AND CONSULTATIONS**

RESOLVED:

The Committee considered the update.

8. **PENSION ADMINISTRATION/COMMUNICATION UPDATE**

RESOLVED:

The Committee considered the update.

9. **INVESTMENT AND FUNDING UPDATE**

Mr Hibbert asked if the Fund was able to consider a counterparty other than JP Morgan within the Cash and Risk Management Framework. Mr Dickson explained that while there are other large banks available, when the mandate was initiated, JP Morgan was selected through a comprehensive review process which considered factors including implementation, ESG and fees. He noted that the alternative counterparties are likely to also be investment banks and there is no perfect option available.

Mr Hibbert asked how often this selection is under review. Mr Dickson explained that there is an annual review process, however the process of selecting a manager is initiated based on whether JP Morgan are fulfilling their role.

RESOLVED:

The Committee considered, noted, and commented on the update.

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

RESOLVED:

The performance of the Fund over periods to the end of June 2023 was noted by Committee along with the Economic and Market update.

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

RESOLVED:

The Committee noted and considered the contents of the report and the various actions taken.

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 remainder of the meeting by virtue of exempt information under Paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

10. **WALES PENSION PARTNERSHIP**

This agenda item was presented and discussed.

RESOLVED:

a) The Committee approved the evaluation criteria for the WPP Operator procurement as 75% quality and 25% price.
b) The Committee noted the WPP reports on stock lending and engagement and agreed that they should be circulated to Committee members in advance of Committee meetings, but should not be included in future CPF agendas.
c) The Committee discussed and agreed the CPF response to the WPP stewardship themes review.

10. **PROPOSED ADMINISTRATION TEAM RE-STRUCTURE**

This agenda item was presented and discussed.

RESOLVED:

a) The Committee approved the changes to the organisational structure of the Pensions Administration Team.
b) The Committee noted the initial increase in annual staffing cost of £113,000.

11. **FUTURE MEETINGS**

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

- 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 29 November 2023. The meeting finished at 11:16am.

……………………………………

Chairman

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 29 November 2023
Report Subject	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. At the time, members agreed to a new strategic asset allocation, but proposed alternative changes to the ISS in relation to some of the Fund's Responsible Investment (RI) policies.

At the meeting of the Committee in August 2023, the revised RI Policy within the ISS (which included a new Exclusions Policy), was agreed and passed to employers for consultation.

The Fund has not received any challenge to the proposed RI Policy changes as a result of the consultation. There have been some minor grammatical amendments, as well as an amendment following review of a query from Councillor Swash, providing clarification on the wording used to articulate the company engagement targets for credible net zero plans in the listed equity portfolio (please refer to section 1.03). The final version of the ISS is included within the pack for approval by the Committee.

The Committee should note that there is a proposal to undertake an investment strategy review in early 2024. If any further changes are made following this, these will need to be reflected in the ISS.

RECOMMENDATIONS	
1.	The Committee note and approve the final ISS.
2.	The Committee note the rationale for reviewing the investment strategy and agree to updating the 2023/24 business plan to include a review of the investment strategy early in 2024.

REPORT DETAILS

1.00	**Investment Strategy Statement**
1.01	**ISS Regulations** 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). These Investment 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. 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".
1.02	**ISS Background and Timeline** 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 revised 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 would be arranged for the Committee to discuss the topic. The Committee have since received three training sessions on the topic: 26 April 2023, 3 May 2023 and 2 August 2023. The Committee were presented with the revised RI policy section within the ISS at the August Committee, which included the new Exclusions Policy. This was subsequently agreed and sent to employers for consultation.
1.03	**Councillor Swash Query** At the last Committee meeting a question was raised from Councillor Swash in relation to the engagement targets for the listed equity holdings. Specifically, a concern was raised in relation to the wording specifying the percentage of companies, rather than percentages of investments by value within the net zero commitments listed equity portfolio. The initial intention of the original wording was to mean percentage of investments by value invested and emissions exposure. As a result, to clarify this point there has been an amendment to the ISS wording which was proposed at the last meeting, as follows: e.g. "by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective."

1.04	**Consultation Response and Proposed ISS** The Fund has not received any challenge or request for changes as a result of the consultation and therefore a further version of the ISS has been included within the pack for approval by the Committee. This version includes the following changes: • The proposed amendments highlighted in the February 2023 Committee meeting pack (February ISS proposal) excluding the RI Policy amendments in that version • The amendments to the RI Policy as agreed at August 2023 Committee (August RI Policy proposal), subject to the small change discussed as outlined in paragraph 1.03 above • A small number of points of clarity or other changes to ensure the ISS is up to date, as highlighted in the draft ISS in the appendix to this report. Committee members are asked to approve the ISS included in the appendix, which will then be uploaded on the Fund's website.
1.05	**Proposal to undertake a further investment strategy review** The Committee has typically undertaken a review of the Fund's investment strategy every three years, aligned with the Actuarial Valuation review (as undertaken earlier this year). However, this three-year cycle is not set in stone and the Committee has the flexibility to undertake an investment strategy review whenever considered appropriate. Mercer have advised the Fund's officers that there is a good case to undertake a further investment strategy review with a view to: • Formalising a plan to fully fund the WPP Sustainable Active Equity allocation within the listed equity portfolio; • Increasing the liquidity of the available assets to help meet cashflow and Private Market capital drawdowns requirements; • Reviewing the risk management framework and collateral position with Insight; • Considering the impact on climate related objectives from the above. It is not intended that this will materially change the current expected return and risk characteristics of the strategy. In addition, work will commence to consider the options available to the Committee to ensure that the Fund is well prepared to make future changes should it achieve the 110% funding position in the future. The Fund's Flight Path and Risk Management Framework has had in a place a review point to consider the long-term investment strategy at a level of funding of 110%. During this year, the funding level has been as high as 107%, so getting close to this important review point. It is proposed that further training on the investment strategy and a discussion on any potential changes are discussed with the Committee during the first half of 2024. In due course, should changes to the investment strategy be made following this review, it will be appropriate to reflect these in the ISS.

	Given this is not currently part of the 2023/24 business plan, but it is anticipated that the work start immediately, the Committee will need to approve that this should be added to the current year's business plan. However it should be noted that the work required for this review is expected to be covered by existing agreed budgets in place (excluding potential implementation work).

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

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 has consulted with its employers in respect of the Fund's RI policies within the ISS and have had no challenge or requests for changes.

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 – 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/* 2. August 2023 Committee proposed amendments to ISS - https://committeemeetings.flintshire.gov.uk/documents/s77350/Enc.%201%20for%20Responsible%20Investment%20Policy%20within%20the%20Investment%20Strategy%20Statement.pdf?LLL=0 3. February 2023 Committee proposed amendments to ISS – https://committeemeetings.flintshire.gov.uk/documents/s74528/Enc.%202%20for%20Investment%20Strategy%20Review%20and%20Statement.pdf?LLL=0

	Contact Officer:	Philip Latham, Head of the Clwyd Pension Fund
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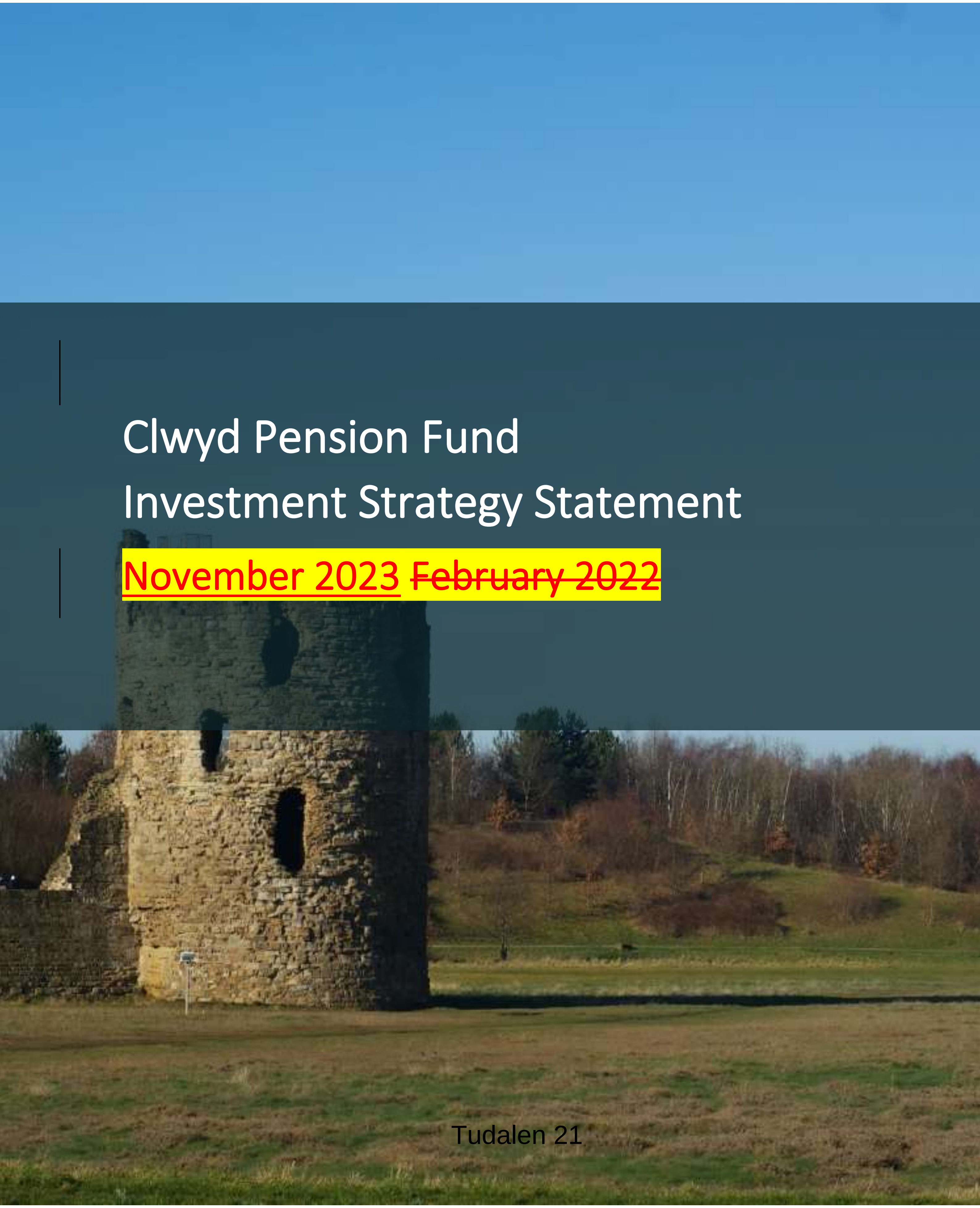
7.00	**GLOSSARY OF TERMS**
7.01	A list of commonly used terms are as follows: (a) **CPF – Clwyd Pension Fund –** The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering 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/

Mae'r dudalen hon yn wag yn bwrpasol

Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund



Clwyd Pension Fund
Investment Strategy Statement

November 2023 ~~February 2022~~

Contents

Statutory Requirement for an Investment Strategy Statement

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund) on behalf of its stakeholders; the ~~scheme~~ members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme regulations; the regulatory framework is set out below.

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the LGPS Investment Regulations), which replace the 2009 Investment Regulations requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State. This replaces the existing requirement to produce and maintain a Statement of Investment Principles.

The ISS must include:

- A requirement to invest money in a wide variety of investments
- The authority's assessment of the suitability of particular investments and types of investments
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect, replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1 April 2017 and regularly reviewed at least every three years.

The original ~~Clwyd Pension Fund~~ ISS was designed to comply with the guidance given by the Secretary of State and was effective from 1 April 2017. It has been reviewed on a regular basis and was updated in 2023 ~~2022. This updated version was presented to the Committee in February 2023 for approval.~~.

This ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement

- Governance Policy and Compliance Statement
- Communications Strategy
- ~~Clwyd Pension Fund~~ Annual Report and Accounts
- ~~Clwyd Pension Fund~~ Actuarial Valuation.

All the above statements and documents can be found on the Fund's web site at https://mss.clwydpensionfund.org.uk/

About the Fund

~~The Clwyd Pension Fund is a £2.3bn Local Government Pension Fund which~~

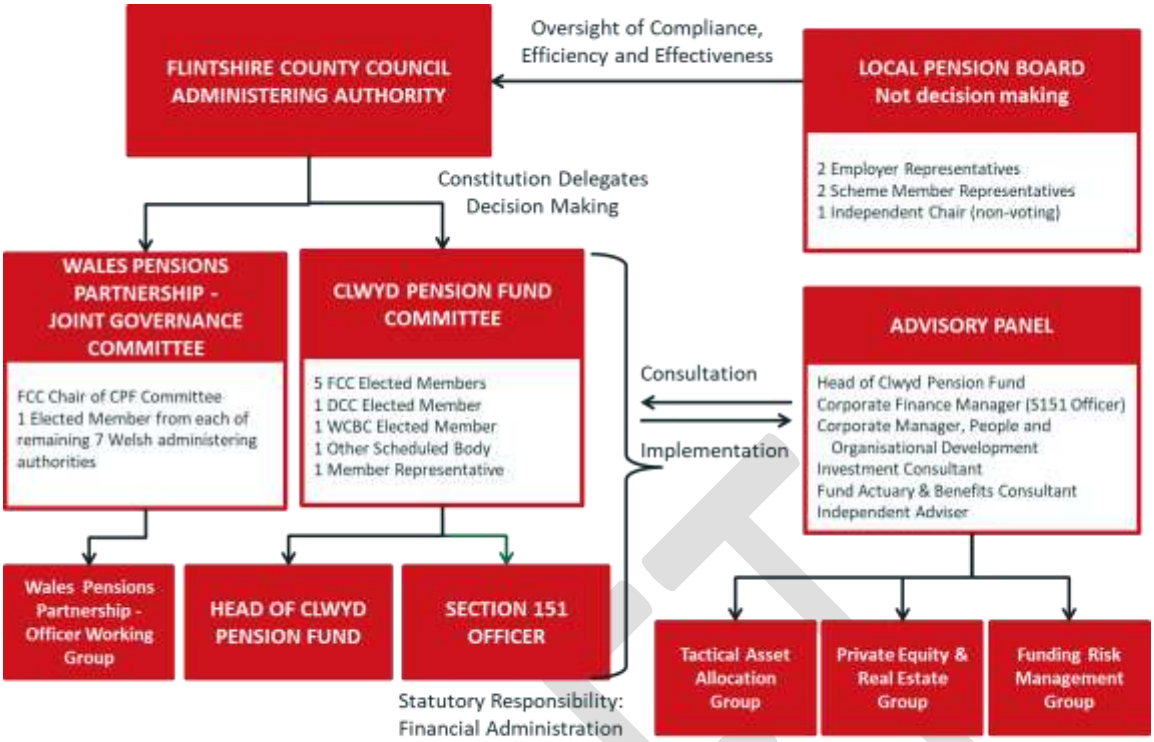
The Fund provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies, which provide similar services.

~~Total Fund membership at the last actuarial valuation was 48,947 with 16,996 active contributors from 51 contributing employers and 31,951 retired members, widows and deferred members.~~

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council (the Council) to a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (AP). Before making strategic investment decisions the Fund takes advice from a regulated investment consultant; Mercer, who also provide Funding and Risk Management advice. The Council's Section 151 Officer (Corporate Finance Officer) has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

The Fund's governance structure is illustrated in the diagram below.



Aims and Objectives

Our 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.

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~~WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the ~~Fund's~~Committee'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~~WPP.

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.

Approach to pooling

LGPS Investment Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

~~The Clwyd Pension Fund is participating in the development of the Wales Pension Partnership (WPP). The proposed structure and basis on which the WPP will operate was set out in the July 2016 submission to the Government.~~

~~The WPP received confirmation from the Minister for Local Government that he was happy that the proposals met the required criteria, with the exception of the size requirement. However, the Minister confirmed in his letter to the Welsh Funds that given the special position of Wales, and the long history of collaboration he was content with the final proposal.~~

Within Wales, all the LGPS administering authorities agreed to work together and an Inter Authority Agreement was signed by them to create the Wales Pension Partnership (WPP) and the principles of how it operates.

The ~~agreed~~ objectives of the WPP are:

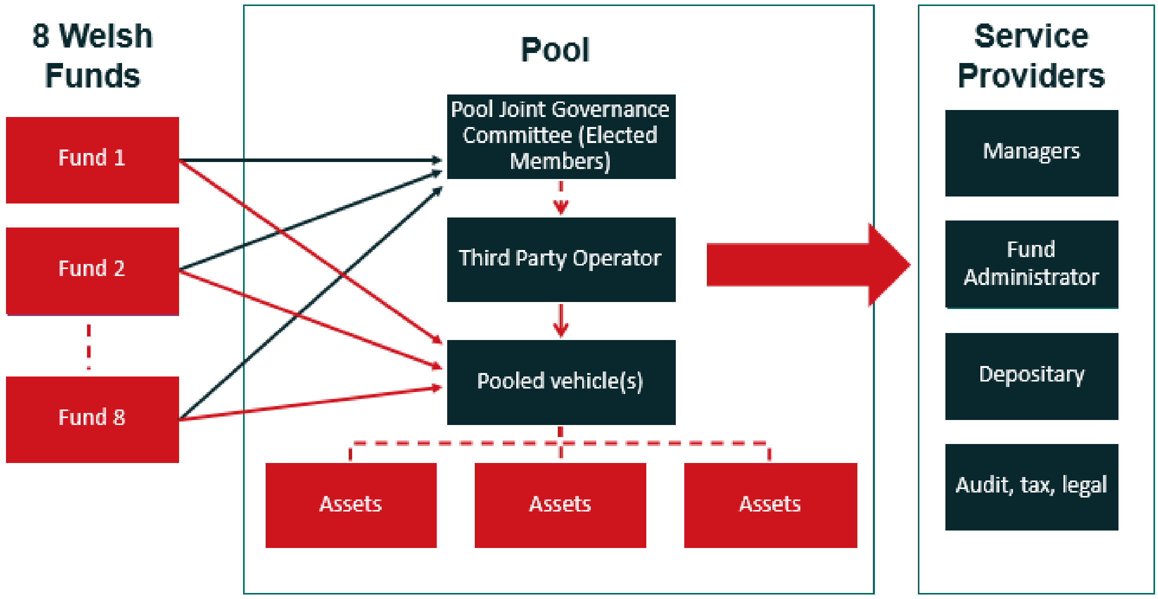
- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers. To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

~~The Clwyd Pension Fund will aim to use the WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.~~ *[Note that this is now one of the objectives on the previous page]*

Structure and governance of the WPP

~~The Pool has~~ WPP appointed Link Fund Solutions Ltd (now Waystone Management (UK) Limited) as the WPP Operator. The Operator's role is to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. A diagram showing the governance structure is shown below.

Governance Structure of the WPP



~~A~~The Joint Governance Committee (JGC) ~~was established in 2017 to carry~~carries out a number of responsibilities relating to WPP including overseeing the operator. The JGC comprises elected members – one from each of the eight participating funds, as well as a Scheme Member Representative. ~~It is anticipated that this may be the~~ The Chairs of the respective Pensions Committees are members of the JGC although administering authorities may choose to nominate alternative members if appropriate. This arrangement provides accountability for management of the WPP and the operator back to individual administering authorities.

The JGC is set up formally as a Joint Committee between the participating administering authorities. It operates on the basis of "One Fund, One Vote", though in practice any decisions are reached on a consensus wherever possible. The Scheme Member Representative is non-voting. A formal Terms of Reference for the Committee has been agreed.

~~Each authority has committed to the pool by agreeing and signing an Inter Authority agreement. The agreements sets out the principles behind the WPP.~~

The WPP Officer Working Group has been established as part of the Inter Authority Agreement to support and advise the JGC on such matters as the JGC 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 to officers to the Officer Working Group~~. In relation to the ~~Clwyd Pension~~ Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group – currently the Head and Deputy Head of Clwyd Pension Fund. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

~~Link Fund Solutions Ltd~~ WPP's Operator, currently Waystone Management (UK) Limited, is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as a depository asset servicer, and an external valuer as necessary.

Listed bonds and equities ~~will be~~ are invested through the Operator, which is a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. However alternative vehicles, not through the Operator, have been created for private equity, private credit and infrastructure. ~~It may be that alternative vehicles are more appropriate for some asset classes. As well as considering the options with Link Fund solutions, advice will be sort of the final proposed approach from a tax efficiency and legal compliance basis.~~

~~The process and benefits of doing so will be discussed with the operator.~~ Given the Fund has a significant proportion of its assets in alternative, less liquid investments, it may be some time before all of the Fund's assets are able to be pooled.

Investment Strategy ~~of the Clwyd Pension Fund~~

The following sections detail the Fund's investment strategy, which takes into account LGPS Investment Regulations 7(2)(a) and 7(2)(b) as summarised below:

- Investment of money in a wide variety of investments

  Regulation 7(2)(a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance does not prescribe the specific asset classes over which Fund monies must be invested.

- Suitability of particular investments and types of investments

  Regulation 7(2)(b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. The investment and funding objectives are listed in the previous section "About the Fund".

In order that these primary objectives can be achieved, the following funding and investment principles have been agreed.

Funding Principles

The ~~Clwyd Pension Fund~~ Funding Strategy implemented ~~for three years~~ at the 31 March 2022 valuation includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 1.5% p.a. (assumed 4.60% p.a.).
- An investment return (discount rate) for the future service contribution rate of CPI inflation plus 2% p.a. (assumed 5.10% p.a.).

Over a three-year period, an investment return above these assumptions (updated accordingly for changes in market outlook as per the separate funding monitoring reports) will contribute to improving the funding position and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target and the membership remains broadly the same profile. The Fund's triennial valuation considers all these factors when determining employer contribution rates. New employer rates ~~will be~~were implemented from 1 April 2023 as part of the 2022 valuation.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. ~~The FSS outlines the strategy for recovering the funding deficit over 12 years.~~ A copy of the FSS can be obtained from the Fund's web site at https://mss.clwydpensionfund.org.uk/. The funding strategy will be monitored during 2023/26.

In managing the Fund, the key funding objectives are:

- to aim for a funding level of 100% and
- to aim for long term stability in employers' contribution rates, whilst recognising the constraints on affordability for employers.

A full list of the funding aims and objectives of the Fund are set out within the FSS.

~~The Clwyd Pension Fund was funded at 105% of liabilities (as at 31 March 2022) and employers' contribution rates are currently structured to achieve a gradual return to 100% funding by 2035 i.e. 12 years from 1 April 2023.~~

Whilst stability of costs from the employers' contribution rates has the higher priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice
- employers will adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall on the Fund
- the Fund's overall investment policy will be aimed at achieving superior investment returns relative to the growth of liabilities. This implies that the Fund will continue to take active risk in how it invests its assets relative to its liability profile.

The investment principles of the Fund are stated in full below and are intended to strike the appropriate balance between delivering the strategy most suitable for long-term consistent performance and achieving the funding objectives. A favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

Investment Principles

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 set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

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.

It is Fund policy to carry out a fundamental review of the Fund's investment structure and management arrangements at least every four years~~.~~, or more frequently if deemed appropriate. The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various ~~assets~~asset classes and hence the Fund's fixed strategic benchmark.

~~The latest Fund review was undertaken in 2022 and the resulting changes will be implemented in 2023. Details of the investment strategy are included in the following sections.~~

Investment Strategy

Setting the Strategy

The Fund's investment strategy has been determined to meet the objectives outlined earlier in this Statement. This includes consideration for the Fund's liability profile and the attitude to risk.

The strategic benchmark highlighted later in this section takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Fund recognises the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. ~~Where they consider it advisable to do so, investment managers have been appointed to select and manage the allocations across asset classes, in particular where it would not be practical (or appropriate) for the Fund's Committee and officers to commit the resources necessary to make these decisions themselves.~~

In assessing the suitability of ~~investments required to form the overall portfolio~~asset classes, a number of characteristics ~~of each asset class, and sub asset class,~~ are considered~~. These characteristics include~~ including potential return, risk/volatility of returns, liquidity, responsible investment, duration and interest rate sensitivity. In setting and reviewing ~~an~~the overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment ~~will include~~includes cash flow requirements and an assessment of the required return to ensure the long-term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

2022/23 Review

The 2022/23 review showed, using Mercer market forecasts as at 31 March 2022, that the expected market returns over the coming ten-year period would mean that the Fund could be expected to generate a return of 5.8% p.a. (CPI inflation plus 2.7% p.a.). Investigations showed that the portfolio was, in the main, well diversified and did not need significant change. However, there were opportunities to incorporate the Fund's Responsible Investment objectives ~~without substantially reducing return~~.

These opportunities led to ~~four~~five main areas of change:

- New Sustainable equity allocation to support Responsible Investment Policy
- Decrease physical listed equity allocations in Emerging Markets due to uncertainties in this asset class
- Reduce existing Hedge Funds allocation
- Increase allocation to Local/Impact portfolio in Private Markets portfolio
- Remodel the Cash and Risk Management Framework.

These changes meant that the expected return would decrease by 0.1%, however the changes made are appropriate for the Funds long-term objectives.

Further details in relation to the investment strategy are outlined in this section.

Investment Decisions

The Fund ~~distinguish~~distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

Strategic investment decisions are made by the Committee. They do so after receiving advice from their investment consultant. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

~~These decisions are ultimately the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the respective fund. Furthermore, the~~The Committee have delegated certain powers to the Head of the ~~Clwyd Pension~~ Fund taking advice from the Tactical Asset Allocation Group. The purpose of the Tactical Allocation Portfolio, managed by the group is to take advantage of short-term (approximately one year) opportunities that are consistent with the long-term risk and return goals of the Fund. The Tactical Allocation Group is bound by the Tactical Allocation Portfolio Terms of Reference.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

In setting the Strategic Asset Allocation for the Fund the LGPS Investment Regulations require the Fund to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the Regulations the Fund is not constrained to certain types of investments; the requirement is for the Fund to set its own limits. In reviewing the strategy, the Fund considers the existing and a range of alternative asset classes.

In setting the Strategic Asset Allocation for the Fund, the Fund has taken into consideration how it might best achieve its Responsible Investment objectives, which are noted later ~~on~~ in this document.

Balance between different types of investments

The LGPS Investment Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The Fund will, at all times, invest across a diversified portfolio of investments to reduce investment risk. In addition to diversifying by assets, the Fund will invest across a number of managers and via different approaches and styles to investing.

The Fund may invest via pooled and segregated portfolios based on the appropriateness of each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

The ~~investment structure agreed in the 2022/23~~current investment strategy ~~review~~ is detailed in the table below:

Asset Class	Strategic Weight
Sustainable Developed Global Equity*	15.0%
Emerging Market Equity	5.0%
Hedge Funds	5.0%
TAA/Best Ideas ***	11.0%
Multi-Asset Credit	12.0%
Cash and Risk Management Framework	23.0%
Private Markets* **	
Property	4.0%
Private Equity	8.0%
Local/Impact	6.0%
Infrastructure	8.0%
Private Credit	3.0%
Total	**100.0%**

Notes:

~~*The Global Equity Portfolio includes a 15% Strategic Weight to a the WPP Active Sustainable Global Equity Fund~~

***The Best Ideas Portfolio is tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the asset classes listed above or by separate asset classes in any type of investment. This allocation is made through consultation with the Tactical

Allocation Group, which is bound by the Tactical Allocation Portfolio Terms of Reference. The objective of the Tactical Allocation Portfolio is to add value to the ~~overall Clwyd Pension~~ Fund return.

~~***The Target allocation of the underlying asset classes in Private Markets will take some time to achieve due to the illiquidity of the asset classes involved.~~

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

Asset Allocation and Long Term Expected Return on Investment

The strategic asset allocation for the Fund must be consistent with the investment return assumed in the funding strategy (updated accordingly for changes in market outlook). The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under or out-performance compared to the long-term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored (referred to as the Strategic Allocation). In addition, there are ranges for each asset category that allow limited deviation within the framework (referred to as the Strategic Range). The ranges enable the Fund to reflect changes in the market outlook and provide greater flexibility to implement cash management and rebalancing.

In addition to the Strategic Allocation and Strategic Ranges, a conditional medium-term asset allocation (the Conditional Range) exists, to manage major risks to the long-term strategic asset allocation, which may emerge between Fund reviews.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The expected returns stated in this table are as at the date of the 2022/23 strategic review.

Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range* (%)	Expected return above inflation (CPI) p.a.**
Developed Global Equity	15.0	10.0 - 20.0	0 – 30	3.5%
Emerging Market Equity	5.0	2.5 – 7.5	0 – 15	2.1%
Hedge Funds	5.0	2.5 – 7.5	0 – 15	1.2%
TAA/Best Ideas***	11.0	9.0 – 13.0	0 – 20	2.5%

Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20	2.5%
Cash and Risk Management Framework****	23.0	10.0 – 35.0	0 – 40	1.~~3~~4%
Private Markets				
Property	4.0	2.0 – 6.0	0 – 8	1.2%
Private Equity	8.0	6.0 – 10.0	0 – 15	3.0%
Local/Impact	6.0	4.0 – 8.0	0 – 15	2.7%
Infrastructure	8.0	6.0 – 10.0	0 – 15	2.3%
Private Credit	3.0	1.0 – 5.0	0 - 6	2.2%
Total	**100.0**			

Notes:

* The Conditional ranges are at a total Fund level.

** Median expected return is expressed as an excess long-term return over CPI Inflation to reflect extra risk being taken, excluding active management. This is based on Mercer Market Forecast as at the date of the 2022/23 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.

*** The Best Ideas allocation is a short term (12-month horizon) tactical allocation based on Mercer's (the Fund's Investment consultant) "best ideas". The portfolio should be liquid and cost efficient.

**** The Cash and Risk Management Framework, a combination of Liability Driven Investment (LDI) synthetic equity instruments and cash plus funds (allocated to for collateral management efficiency), is managed as part of a risk management approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the initial strategic allocation of 23%.

The inclusion of a diversified range of assets and the scope for tactical allocation in the strategy is expected to improve the probability of the Fund achieving its long-term objectives, whilst maintaining the overall volatility of returns without significantly altering the Fund's expected long-term return. ~~This is explained in more detail in the risk section below.~~

Cash and Risk Management Framework

In March 2014, the Fund set up a Risk Management Framework (now referred to as Cash and Risk Management Framework). This has evolved since its initial implementation, and now includes the following strategies that seek to manage a variety of financial risks. These strategies are implemented by Insight Investment Management (Insight). Further information on the Framework can be found in the Funding, Flight-Path and Risk Management report which goes to each Pension Fund Committee meeting.

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 agreed by the Pension Fund Committee") to formally confirm whether the trigger has been met and whether any changes to the strategy should be made. This will then be brought to Committee for approval.

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 Funding and Risk Management Group (FRMG) have reviewed the flightpath and no change has been made to the interest rate and inflation triggers at this stage.

~~As at 30 September 2022 the interest rate and inflation hedge ratios were 50%/40%, respectively, in line with their targets.~~

~~Furthermore, as part of the strategy review new triggers have been put in place and if these are achieved then the hedge ratios will be increased and implemented in line with the delegations to the Head of Fund, after taking appropriate regulated advice, given the needs to implement quickly and efficiently in line with the overall strategic objective agreed by the Pension Fund Committee.~~

The level of hedging is monitored quarterly and a full review is conducted annually.

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 dynamic equity protection strategy was put in place in May 2018. This provides improved flexibility and on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions. The Fund intends to fully transition its synthetic equity exposure to a global equity Paris Aligned benchmark over time, in a way that minimises transaction costs.

Currency hedging strategy

The Fund has 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~~Fund's collateral management strategy is regularly monitored~~. 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 required. This helps generate additional return and reduces the governance burden on the Fund, leading to improved efficiency.~~

Realisation of investments

The Fund's investment policy is structured so that the majority of its investments (in equities and bonds) can, except in the most extreme market conditions, be readily realised.

However, the availability of alternative investment vehicles enables the Fund to invest in less liquid asset classes and to build well-diversified portfolios. Investments such as property, infrastructure and private equity/debt are long term investments, which the Fund is less likely to be able to realise in a short period. "Lock-up" periods are normal practice in hedge funds (to manage the in/out flows to ensure existing clients' capital is protected) which means that these investments are not readily realisable either.

Notwithstanding this, the Fund maintains sufficient investments in liquid assets to meet its liabilities in the short and medium term as they fall due.

Cash Strategy

From 1 April 2011, the 2009 Investment Regulations required the Fund to have a separate bank account from the Local Authority.

The ~~Pension~~ Fund does not have a strategic allocation to cash for investment purposes but holds surplus cash for paying:

- Benefits and transfers as per the Regulations.
- The administration costs of the Fund.
- The Investment management fees.
- Commitments to ~~real assets and~~ private market investments.

However, in extreme market conditions cash could be used as part of the Conditional Asset Allocation. The aim is to avoid requiring to borrow for liquidity purposes, although the LGPS Investment Regulations allow Pension Funds to borrow for a maximum of 90 days.

The cash could be deposited in one of the following, subject to cash flow requirements:

- The Pension Fund bank account with the National Westminster bank for daily liquidity.
- A deposit account with the National Westminster Bank with instant access.

- The Insight Liquidity Fund for unexpected liquidity requirements or higher rates of return.

Stock Lending

~~The Fund only currently invests in pooled vehicles so cannot undertake any stock lending. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset values of each pooled fund. It has been agreed that investments made through the Wales Pension Partnership will be covered by the pool's stock lending policy.~~
Where the Fund invests with WPP, this is via pooled funds. WPP determine the stock lending policy for its relevant funds and has appointed Northern Trust to implement the policy.

Approach to risk, including the ways in which risks are to be measured and managed

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).

Risk Register

The ~~Clwyd Pension~~ Fund has a Risk Management Policy and Risk Register in place.

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.

The main risk for the Fund is the mismatch between its assets and liabilities. As a consequence, if the investment returns are less than that required in the funding strategy, the funding level will deteriorate (all else being equal). The main risks within the funding strategy are interest rate, inflation and mortality risks, and investment risk arising from the investment portfolio, which is controlled through diversification of asset holdings. The Fund has a bespoke Cash and Risk Management Framework that has established objectives to ensure that the Fund's exposure to interest rate risk and inflation risk is managed and monitored on an on-going basis.

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks. Consideration of financially material non-financial risks is considered in the Fund's Responsible Investment Policy, which is explained later in this document. This includes the Fund's approach to the risks and opportunities associated with climate change, and the transition to a low carbon economy.

In considering the Fund's investment strategy, it is necessary to have regard to the balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising the downside risk, within agreed parameters.

Solvency Risk and Mismatching Risk

These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.

These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk (including the ~~Wales Pension Partnership~~WPP)

This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.

The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target, which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.

Liquidity Risk

This is monitored according to the level of cash-flows required by the Fund over a specified period.

Whilst ensuring that there is the appropriate liquidity within the assets held, the Fund invests in less liquid investments to take advantage of the "illiquidity premium" offered.

Despite this, the Fund holds an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds, which are readily realisable, and there is a significant amount of liquidity based upon the existing strategic asset allocation.

Political Risk

This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.

The Fund manages this by regular reviews of the investments and through investing in funds, which give a wide degree of diversification.

Corporate Governance Risk

This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.

~~It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. In the future the Wales Pension Partnership will engage and exercise voting rights on behalf of the Fund. The Fund's Responsible Investment Policy explains the approach in detail and it is explained later in this document.~~

In respect of assets invested via the WPP, these are subject to an agreed Stewardship Policy. The WPP works with Robeco and the underlying investment managers to implement this policy.

Legislative Risk

This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.

The Fund will respond to consultations on proposed legislative changes to help influence appropriate changes.

The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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.

The Fund has ~~a significant weighting~~an allocation to a Tactical Asset Allocation/ Best Ideas portfolio (TAA) which aims to take advantage of market risk, by making shorter term tactical allocations, which suit the specific characteristics of the Fund. As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.

Market risk comprises of the following three types of risk:

Currency Risk

This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

The Fund seeks to address this within the TAA and has also addressed this in the Cash and Risk Management Framework from a strategic perspective.

Interest rate risk

This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

Inflation risk

This is the risk that the value of the Fund's liabilities, which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.

The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management. The Fund also invests in assets whose value moves in line with inflation such as Infrastructure.

~~Since 2014 the Fund has adopted a Risk Management/Flight-path approach to managing the specific inflation and interest rate risk. The Flight-path is regularly reviewed and appropriate yield trigger levels set.~~
The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

Risk Budgets

When reviewing the Investment Strategy in 2022/23, as well as addressing the potential for investment return, the Fund also considered the risk of the proposed strategy when compared to the previous one. Risk is assessed by using a Value at Risk (VaR) approach. This approach measures the risk of potential loss for investments ~~and estimates how much an investment strategy might lose (~~with a given ~~possibility) given normal market conditions, in a~~ probability over a set time period~~ such as a day or a year.~~. The VaR of the Fund's assets is monitored in a regular basis.

The Fund needs to take risk within its Investment Strategy in order to achieve an adequate level of return above the Actuary's future service discount rate of Inflation (CPI) +2% per annum at 31 March 2022 (updated in line with market outlook).

~~At a total Fund level, the total expected return of the previous strategy was 5.9% per annum with a 3 year VaR of £887m. The revised strategy as described earlier in the document reduces the potential return to 5.8% per annum whilst also reducing the 3 year VaR to £873m.~~

Proper advice

In assessing the Fund's strategy, including an assessment of the implicit risks, and setting the maximum limits the Fund has taken proper advice from officers, the Actuary, Investment Consultants and Risk Management Advisers.

As part of the Fund's governance structure, there are regular meetings of the FRMG between the Fund's officers, the Investment Consultants, the Actuary and Risk Management Advisers. The Fund receives advice from these parties on a continuous basis.

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:

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.

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, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.
- by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

The Fund will monitor and report against these targets at least annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with national and international developments and initiatives.

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.~~WPP. The Committee will actively engage with the ~~Wales Pension Partnership~~WPP 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
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

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.~~WPP. Given the pooled fund nature of the investments, the Fund will take a best efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion policy. This will be monitored on an annual basis with an explanation sought, if companies are held in breach of the exclusions criteria.

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~~by the Clwyd Pension Fund Committee on ~~15 February~~29 November 2023. ~~It~~The Investment Strategy Statement 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~~WPP can be found on its website - https://www.walespensionpartnership.org/

mss.clwydpensionfund.org.uk

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

Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.

Mae'r dudalen hon yn wag yn bwrpasol

Date of Meeting	Wednesday 29 November 2023
Report Subject	Clwyd Pension Fund Annual Report 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 each year. The regulations and CIPFA best practice guidance advise on the content.

The Annual Report for 2022/23 is attached as Appendix 1 to this report. The Annual Report includes the Fund's Statement of Accounts, which has been audited by Audit Wales. The Audit Wales Audit of Accounts Report is attached as Appendix 2, and the Final Letter of Representation as Appendix 3.

The Annual Report includes statutory and best practice policies and statements. These are not attached to the report as they have previously been approved by the Committee but are available on the Fund's website. Those which are of a statutory nature will be included in the report when it is published. Other non statutory information relating to the report, which is all available on the Fund's website, will be signposted in the published version of the report.

RECOMMENDATIONS	
1	That members approve the Fund's Annual Report for 2022/23 including the Statement of Accounts.
2	That members consider the Audit of Accounts Report
3	That members approve the final Letter of Representation

REPORT DETAILS

1.00	**Annual Report and Accounts**
1.01	As in previous years, the main structure of the Annual Report consists of a series of reports from senior officers and advisors to the Fund. These are: - A report on the governance of the Fund, the training of Committee and Board members, and risk management - A report from the Fund's Independent Advisor - A report from the Pension Board - A report on the administration of the Fund - A report from the Fund's actuary - A report from the Fund's investment consultants - A report on the Fund's financial activity In addition, the Fund's Statement of Accounts and Annual Governance Statement are included. The Annual Report is required to include certain statutory strategies and these will be included in the report when it is published, along with signposting to non-statutory information which is considered relevant.
1.02	The latest CIPFA guidance provided to Local Government Pension Scheme administering authorities to ensure that their annual reports are completed in accordance with best practice, was published in March 2019. The guidance has been followed wherever possible in the preparation of this report. The Committee received the original draft Annual Report at the 30 August 2023 meeting and any changes have been detailed in the attached audit report.
1.03	The Audit Wales Audit of Accounts Report states: "In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013."
1.04	The Fund's Statement of Accounts is included as part of the Annual Report. Members will recall that a draft Statement of Accounts was signed off by the Corporate Finance Manager as Section 151 Officer prior to the Committee meeting on August 30 2023 where the draft Annual Report was presented for consideration.
1.05	The audit of the 2022/23 Statement of Accounts is now substantially complete, although the audit continues up until the point at which it is formally signed off by the auditors which will be before the 1 December 2023 deadline for publishing the Annual Report. Amendments to the Annual Report and Accounts may still be actioned before the final approval in which instance, a verbal update will be provided at the Committee meeting.
1.06	A copy of the Statement of Accounts for 2022/23 is included in the Annual Report as Appendix 7 to Section 2 on page 97. It incorporates all changes agreed with Audit Wales during the course of the audit.

1.07	Audit Wales are required to provide an opinion and communicate relevant matters arising from the audit to the Clwyd Pension Fund Committee which is charged with governance of the Fund. Attached at Appendix 2 is the Audit of Accounts Report received from Audit Wales and they will be in attendance at the meeting to present this report. The Audit report states: "In my opinion the financial statements: • give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities; and • have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023."
1.08	The audit report includes details of any issues arising from the audit, and a summary of the corrections made to the Statement of Accounts after the audit. There is one significant issue to report this year. This is in relation to the process the Fund uses to determine the outstanding commitments for Private Market investments. There are several factors which can affect these calculations so it has been agreed that the process will be reassessed and a more detailed review of all the information available to the Fund will be carried out. In addition, there were three misstatements identified in the draft accounts which related to various notes and the net assets statement, none of which have affected the final Fund valuation. All three have been corrected.
1.09	The Letter of Representation shown at Appendix 3 confirms to Audit Wales that all the information contained in the financial statements is true and accurate and that all information has been disclosed. It is recommended that the Committee approve the Letter of Representation for signature by the Chair, which is required for Audit Wales to provide their audit opinion, which we understand will be unqualified.

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

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

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

4.02	The external audit of the accounts will specifically consider financial risks and how well the Fund is managing those risks.

5.00	**APPENDICES**
5.01	Appendix 1 – Draft Annual Report 2022/23 Appendix 2 – Audit Wales Audit of Accounts Report 2022/23 Appendix 3 – Final Letter of Representation

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	The statutory documents that will be included can be found on the Fund's website here - https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/ **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) **LGPS – Local Government Pension Scheme** – the national scheme, of which Clwyd Pension Fund is part. (b) **Audit Wales** – Welsh public body charged with assuring public money is managed well, explaining how it is used and driving public sector improvement. (c) **International Standard on Auditing** - deals with the independent auditor's overall responsibilities when conducting an audit of financial statements (d) **Chartered Institute of Public Finance and Accountancy (CIPFA)–** the professional body for people in public finance.

lgps | Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund

Clwyd Pension Fund

Annual Report

2022/2023

Contents

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

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

Cronfa Bensiynau CLWYD Pension Fund

Return to front cover

Section 1: 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

Return to front cover

Section 2: Summary by the Head of Clwyd Pension Fund

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

Governance, Training and Risk Management

Flintshire County Council is the Administering Authority for the Fund and delegates responsibility for running the Fund to 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 that the Fund face are often 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 in February 2023 achieved signatory status 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.

Return to front cover

Appendix 1: Governance, Training and Risk Management

Introduction

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

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

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

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: https://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	
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).

c) General Awareness: Out of the combined 14 Committee and Board members, 10 attended at least one general awareness session, and 8 (57%) completed at least one day in accordance with the policy, a slight decline on 2021/22 when 10 (71%) attended at least one day. This may be in part due to time constraints on the new Committee members who were undertaking induction training and some of whom did not begin attending meetings until the later quarters of the year.
Of the five senior officers, 4 (80%) completed at least one general awareness training session with two (40%) completing at least one day.
d) 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. 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 June 2022												✓	✓	✓
15 June 2022	Committee Meeting June 2022	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
31 August 2022	Committee Meeting August 2022	✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓
30 September 2022	Board Meeting September 2022												✓	✓	✓
23 November 2022	Committee Meeting November 2022	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓
13 December 2022	AJCM								✓	✓		✓	✓	✓	✓
15 February 2023	Committee Meeting February 2023	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
01 March 2023	Board Meeting March 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)	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
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													✓	

Cronfa Bensiynau CLWYD Pension Fund

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												✓		✓
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: a: short appointments b: poor knowledge and advice c: poor engagement /preparation / commitment d: 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 WPP due diligence process is being following in all cases for investments with potential conflict (e.g. local / Welsh) 2: Ongoing monitoring of FCC Climate Committee motion situation
Externally led influence and change such as scheme change (e.g. McCloud, potential exit cap, Pensions dashboard, national reorganisation, cybercrime, asset	The Fund's objectives/legal responsibilities are not met or are	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

Tudalen 79

Cronfa Bensiynau CLWYD Pension Fund

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
pooling, levelling up and boycotts / divestments / sanctions, Climate lobbying, Operator contract with WPP)	compromised - external factors			4: Ongoing engagement with WPP in relation to the WPP Operator 5: Ongoing consideration of resource requirements to meet external demands
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 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
a: Markets perform below actuarial assumptions b: Fund managers and / or in-house investments don't meet their targets c: Market opportunities are not identified and / or implemented. d: Black swan event e.g. global pandemic such as Covid-19 e: Wales Pension Partnership (WPP) does not provide CPF with portfolios to deliver the Investment Strategy f: 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

Cronfa Bensiynau CLWYD Pension Fund

Risk Description (if this happens)	Risk Overview (this will happen)	Risk Status at March 2023	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Amber	Yellow	1: Continue to monitor market conditions and respond through the trigger framework 2: In conjunction with Risks 3 and 5; overall market conditions are monitored continuously
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	Amber	1: Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. 2: Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP 3: Developed an RI framework to assist the Committee in its assessment of implementing the Fund's overall RI objectives

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 and review of team structure 3: Ongoing training of recent recruits
Employers: a: don't understand or meet their responsibilities b: don't have access to efficient data transmission c: 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	Unable to meet legal and performance	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
changes including McCloud, Pensions Dashboards and potential exit cap, backdated pay awards)	expectations due to external factors			2: Implement and move non Business As Usual to temporary project team
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 in line with new national dashboard timetable
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

Return to front cover

Appendix 2: Independent Adviser's Report

Annual Report of Karen McWilliam

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

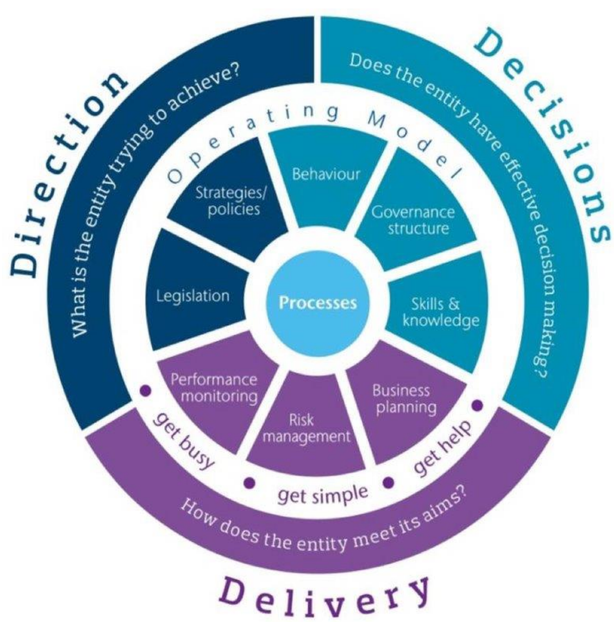
Key Benefits

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.



Cronfa Bensiynau CLWYD Pension Fund

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 late 2022 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 Consultant 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 focuses 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.

Return to front cover

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	✓		
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 but one 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					
Barnet Waddingham Pension Board Event			✓		

Event	Steve Jackson	Phil Pumford	Elaine Williams	Steve Gadd	Karen McWilliam
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 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 employers, 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 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

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Return to front cover

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 focusing on ensuring communications are more relevant to the audience and the use of technology to provide quicker and more effective communication. The Communication Strategy and Pensions Administration Strategy are available to view on the Fund's website.

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

How our service is delivered

The 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 the data improvement plan in readiness for the annual review of common and scheme specific data, the results of which are reported to TPR. The effect of the time and effort that is dedicated to ensuring good data quality has led to improved common and scheme specific data scores over recent years (see table overleaf).

	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, year-end 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.

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

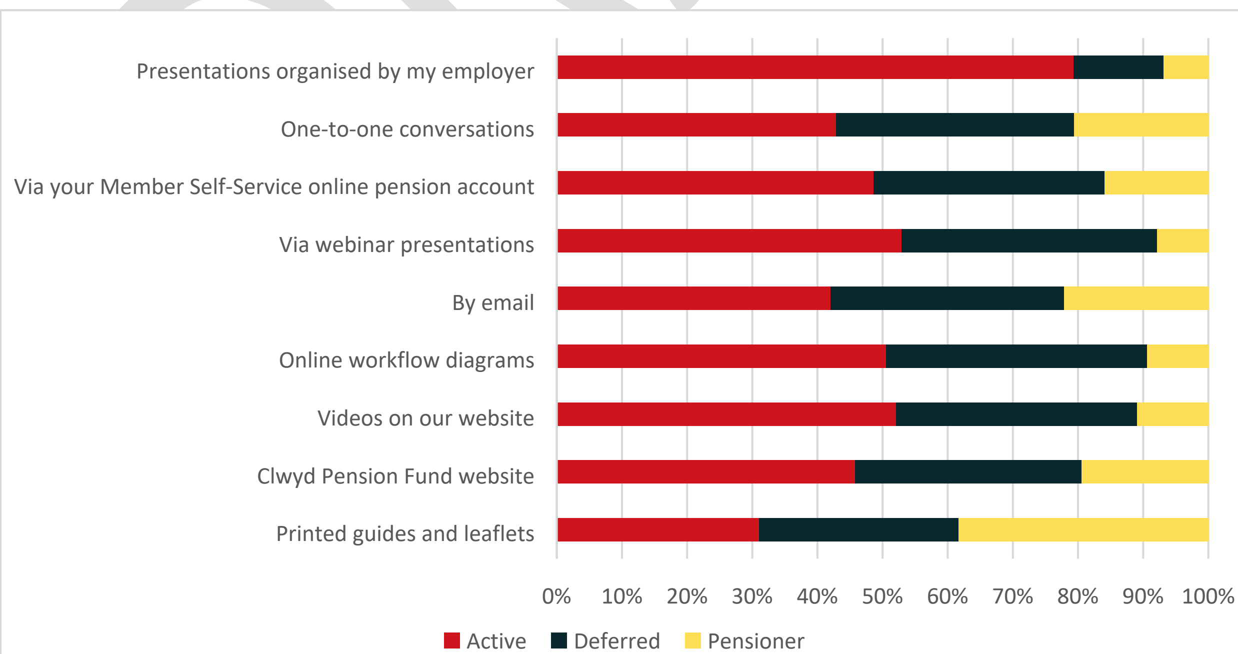
Member and employer feedback 2022/2023

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.

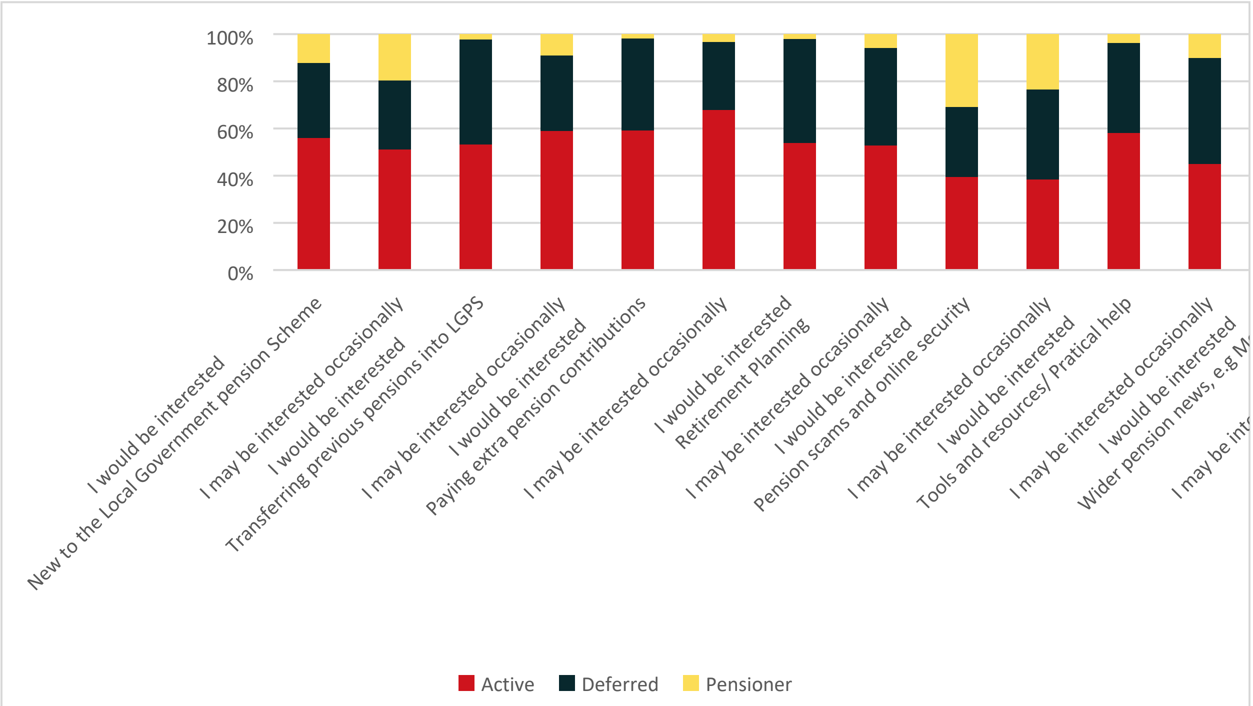
Results of member survey

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.

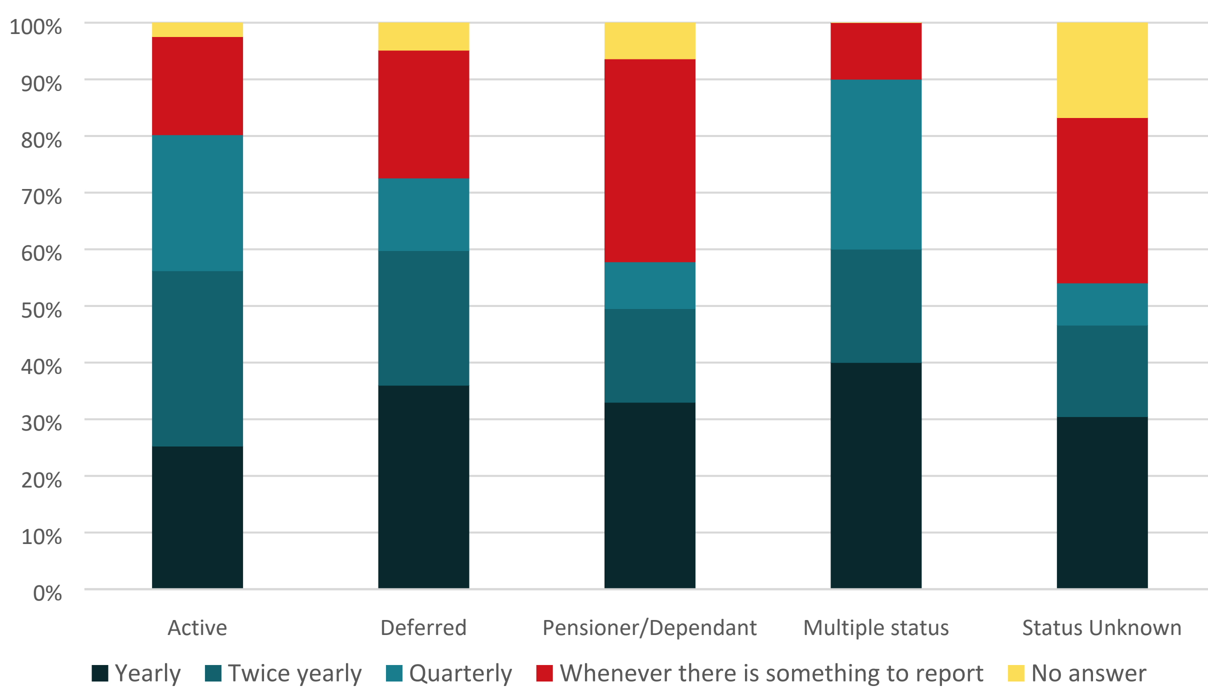
How would you like to receive information about your pension?



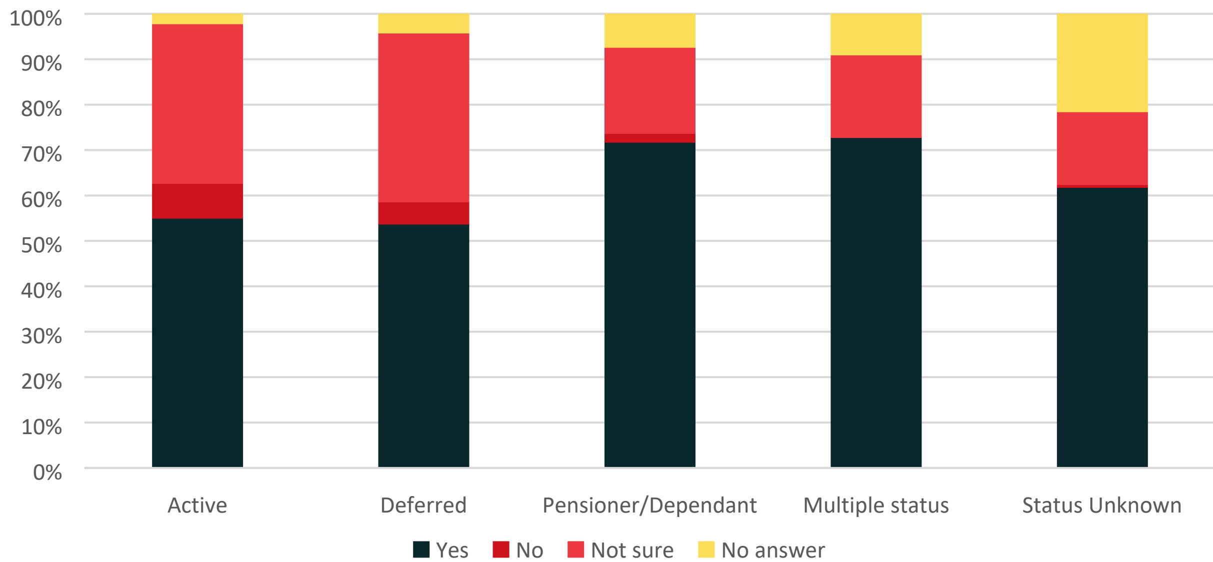
What topics are you interested in receiving information about?



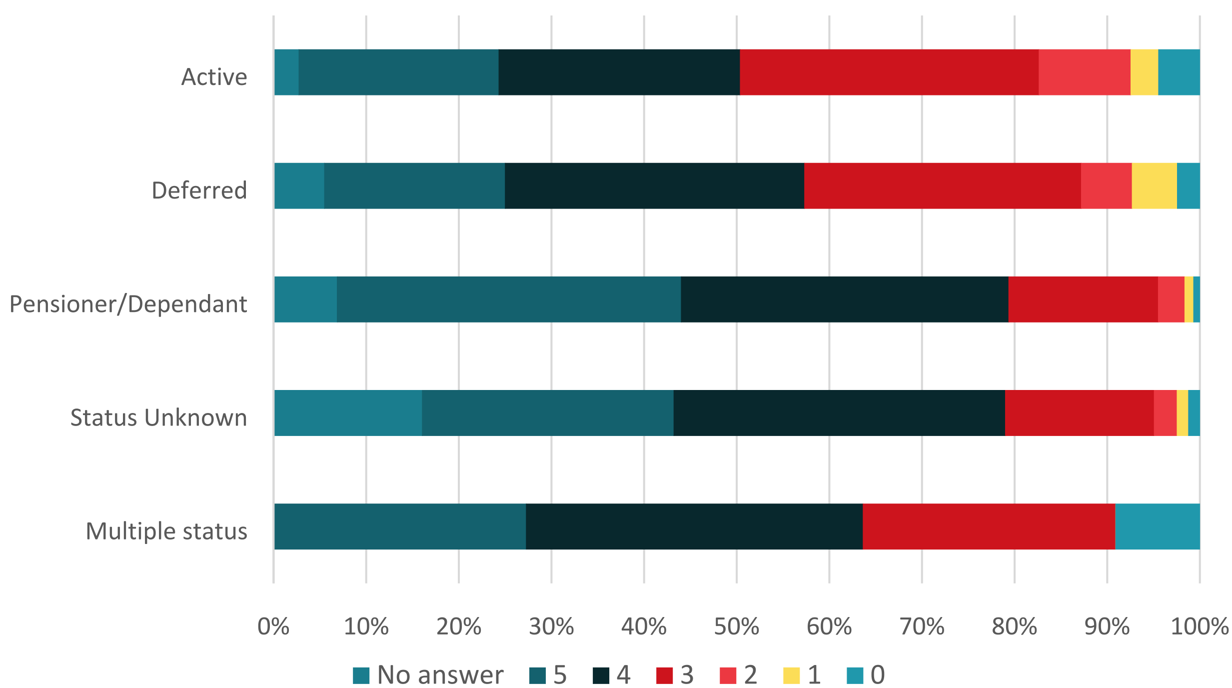
How often would you like to receive news about your LGPS benefits?



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!!!

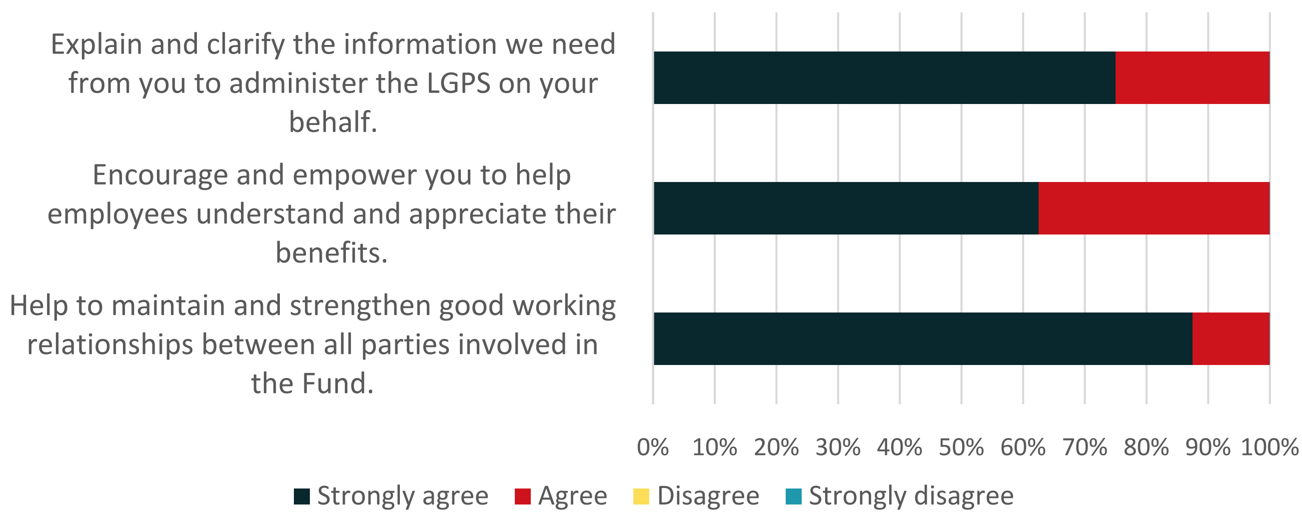
For 2023 we are also in the process of setting up member Focus Groups. These groups will be a small number of Clwyd Pension Fund members who would give their feedback and opinions on future communications. This will ensure that the Clwyd Pension Fund is delivering communications that members want and 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

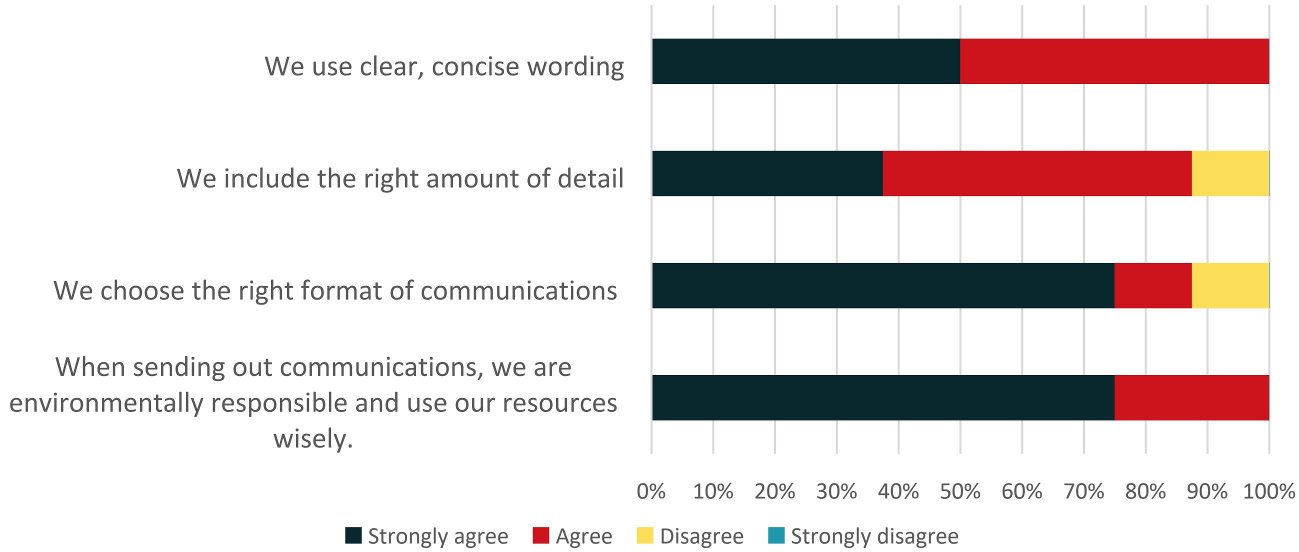
Results of employer survey

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

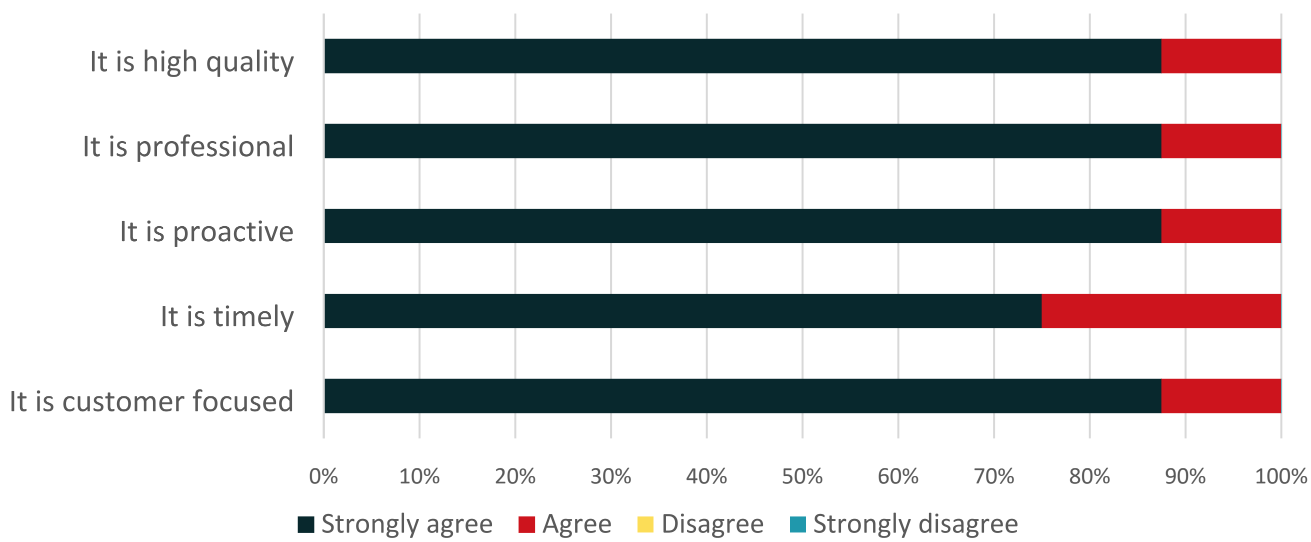
The materials we send you…



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

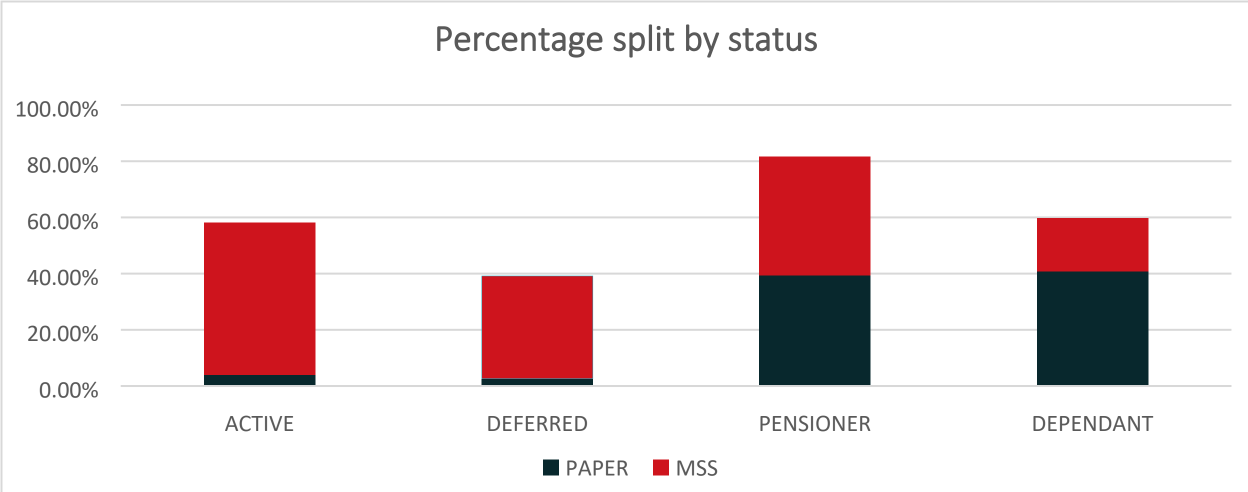
Members who use MSS receive their correspondence electronically, automatically uploaded to their account. They are notified by email each time information is uploaded.

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.

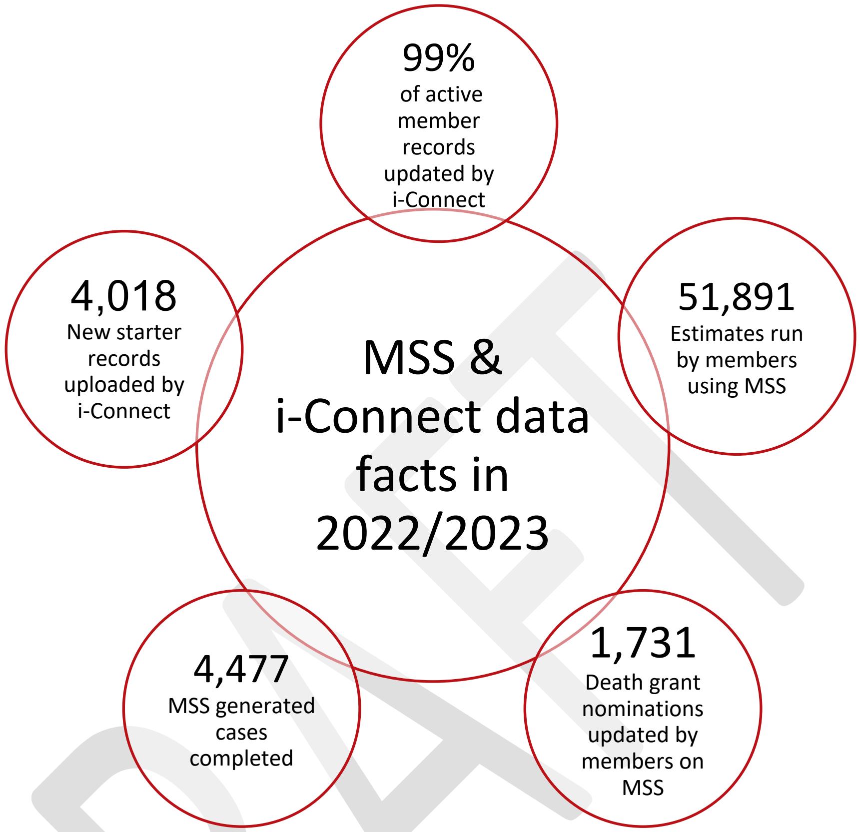


MSS continues to be an effective method of communication, allowing Clwyd Pension Fund to upload documents such as retirement packs and estimates to members' MSS accounts. This means that members receive their correspondence from us more quickly and securely compared to having it posted to them.

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 above. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Section 151 Officer.

Key Performance Indicators (KPI)

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

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

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%

Cronfa Bensiynau CLWYD Pension Fund

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	4909	4993	4816	5285	5274	5382	5418	5868	5425	5041	4871	5874
Completed	3726	2910	2459	2764	2587	2843	3122	3250	2235	2997	2769	3071
Received	3905	2753	2939	2769	2706	2883	3582	2823	1902	2849	3770	3000
Deleted	0	0	0	0	0	0	0	0	0	0	0	0
Remaining	5088	4836	5296	5290	5393	5422	5878	5441	5092	4893	5872	5803

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 so for efficiency or effectiveness reasons.
- We regularly review our progress against a wide range of KPIs (including legal timescales, overall process timescales and internal Fund turnaround times),

workload case numbers (received, completed and outstanding) and our business plan requirements to ensure our resources are appropriate to meet our objectives.

- 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

Return to front cover

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):
https://mss.clwydpensionfund.org.uk/documents/Actuarial%20Valuation%20Report.pdf
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 it 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

Cronfa Bensiynau CLWYD Pension Fund

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

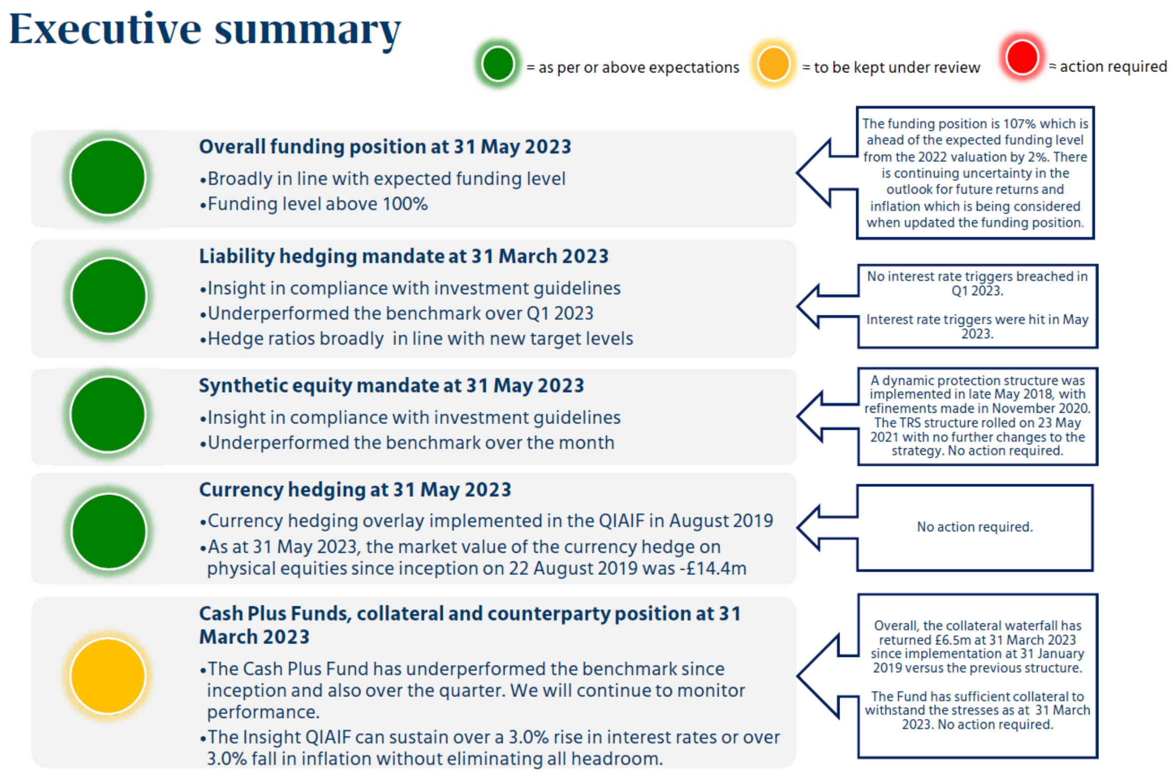
Flightpath Strategy

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

Return to front cover

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.

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.

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.

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

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	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	-	-	

Cronfa Bensiynau CLWYD Pension Fund

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
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	
Private Credit (illiquid)	-	-	-	-	-	3.0	3.0	3.0	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
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**	
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	
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	-	-	-	-	-	

Asset Class	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	2020 (%)	2023 (%)	LGPS Average (%)
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 the process 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 provided in next year's report.

Engagement and Voting

The Fund requires that its managers report how they voted on 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 / Withheld
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 & Analytics, Compliance, Travel, SME services, Internet of Things, Digital Platforms, HCM, Cloud & Digital Services and Digital Healthcare.

Cronfa Bensiynau CLWYD Pension Fund

Private Market Manager	Fund Name	Capital Committed (£m)	Description of Investment
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 report which can be accessed on the Fund website.

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
GMO	1

Asset Class	Number of Funds
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

Cronfa Bensiynau CLWYD Pension Fund

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

Asset Class	Number of Funds
Local / Impact	**22**
Aviva	1
Bridges	6
Circularity	1
Development Bank of Wales	1
Environmental Technologies	3
Fairfax	1
Foresight	2
Generation	1
Harbour Vest	1
Hermes	1
Impax	2
Infrared	1
Partners Group	1
Private Debt	**9**
BlackRock	1
Bridgepoint	1
Carlyle Group	3
Neuberger Berman	2
Permira	1
Pinebridge	1

Return to front cover

Appendix 7: Clwyd Pension Fund Accounts for the year ended 31 March 2023

Fund Accounts

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 Restated		Note	2022/23 £000
2,406,125	**Investment Assets**	**13**	2,199,900
2,406,125	**Net Investment Assets**		**2,199,900**
294	**Long-term debtors**	**19**	378
6,962	**Debtors due within 12 months**	**19**	6,624
(2,231)	**Creditors**	**20**	(2,585)
79,645	**Cash at Bank**		98,281
2,490,795	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,302,598**

Restatements have been made to correct the classification of the balances held at the Pension Fund current account.

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%.
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
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**

Cronfa Bensiynau CLWYD Pension Fund

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 Investment Income. Underlying manager fees are not included in this table, but are disclosed in the Finance Report elsewhere in the Annual Report. Further details on the WPP can also be found in the Finance Report.

Note 12: Investment Income

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 Restated £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
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
30,215	Cash	309
2,406,125	Total investment assets	2,199,900

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 13A: Reconciliation of Movements in Investments And Derivatives

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

	Market value 1st April 2021 Restated £000	Purchases during the year £000	Sales during the year £000	Change in market value £000	Market value 31st March 2022 Restated £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
Total investment assets	2,152,698	315,740	(355,302)	262,776	2,375,910
Cash deposits	30,205				30,215
Currency Loss	0			(67)	
Amount receivable for sales	2,812			0	
Total assets	2,182,903			262,709	2,406,125

Note 13B: Analysis By Fund Manager

2021/22			2022/23	
£000	%		£000	%
Wales Pension Partnership Investments				
596,583	24.8%	Russell Investments	476,427	21.7%
133,533	5.5%	Blackrock (Passive)	0	0.0%
730,116	**30.3%**		**476,427**	**21.7%**
Investments managed outside Wales Pension Partnership				
626,291	26.0%	Insight	664,205	30.2%
273,120	11.4%	Mobius	262,537	11.9%
157,982	6.7%	MAN Group	159,281	7.2%
618,616	25.7%	Private Markets	637,450	29.0%
1,676,009	**69.8%**		**1,723,473**	**78.3%**
2,406,125	**100%**		**2,199,900**	**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	%
626,291	26	Insight	LDI Active 22 Fund	664,205	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	Not required	Not required

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	Discount for lack of marketability Control premium	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 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	15.3	121,233	139,781	102,684
Private equity and joint venture funds	24.4	205,945	256,195	155,694
Infrastructure funds	15.8	121,603	140,816	102,390
Timber and Agriculture	5.5	12,074	12,738	11,410
Private Debt	11.1	61,769	68,625	54,913
Impact/ Local	24.5	93,352	116,223	70,481
		615,976	734,378	497,572

2021/22	Potential variation in fair value %	Value at 31st March £000	Potential value on increase £000	Potential value on decrease £000
Other investments				
Pooled property investments	14.1	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 31st March 2023	Quoted market price £000	Using observable inputs £000	Significant unobservable inputs £000	Total £000
Investment Assets				
Multi Asset Credit		230,688		230,688
Diversified growth funds		262,537		262,537
Liability Driven Investment		663,896		663,896
Hedge Fund of Funds		159,281		159,281
Global equity		130,027		130,027
Emerging Market Equity		115,712		115,712
Other investments				
Pooled property investments		12,189	121,233	133,422
Private equity and joint venture funds			205,945	205,945
Infrastructure funds	9,285		121,603	130,888
Timber and Agriculture			12,074	12,074
Private Debt			61,769	61,769
Impact/Local			93,352	93,352
Cash deposits	309			309
Total investment assets	9,594	1,574,330	615,976	2,199,900
Cash deposits	98,281			98,281
Total assets	107,875	1,574,330	615,976	2,298,181

Values as at 31st March 2022	Quoted market price £000	Using observable inputs £000	Significant unobservable 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
Cash deposits	30,215			30,215
Total investment assets	40,383	1,771,386	594,356	2,406,125
Cash deposits	79,645			79,645
Total assets	120,028	1,771,386	594,356	2,485,770

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

	Value at 31st March 2022 £000	Purchases £000	Sales £000	Unrealised gains and losses £000	Realised gains and losses £000	Value at 31st March 2023 £000
Other Investments						
Pooled property investments	132,233	10,225	(5,798)	(18,009)	2,582	121,233
Private equity and joint venture funds	201,521	29,123	(50,454)	6,262	19,493	205,945
Infrastructure funds	114,553	13,112	(23,320)	14,939	2,319	121,603
Timber and Agriculture	14,125	0	(3,939)	261	1,627	12,074
Private Debt	52,592	12,572	(6,854)	3,459	0	61,769
Impact/Local	79,332	17,354	(9,515)	2,205	3,976	93,352
	594,356	82,386	(99,880)	9,117	29,997	615,976

	Value at 31st March 2021 £000	Purchases £000	Sales £000	Unrealised gains and losses £000	Realised gains and losses £000	Value at 31st March 2022 £000
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

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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)

Cronfa Bensiynau CLWYD Pension Fund

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 spiralled 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.

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

Assets exposed to interest rate risk	Value £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 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	15.00%	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 £000		2022/23 £000
3,401	Present value of promised retirement benefits	2,398
(2,486)	Fair value of scheme assets	(2,298)
915	**Total**	**100**

Cronfa Bensiynau CLWYD Pension Fund

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 overleaf.

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

2021/22 £000		2022/23 £000
1,089	Contributions in the year	**1,101**
	Value of AVC funds at 31st 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. Allowances amounted to £4,107 for 2022/23 (£7,611 in 2021/22).

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 and will depend on the investment period of each individual Fund.

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.

Cronfa Bensiynau CLWYD Pension Fund

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

Statement of Responsibilities for the Statements of Accounts

The Council's Responsibilities

The Council is required to:

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

Cllr Ted Palmer

Chair of the Pension Committee

The Chief Finance Officer’s Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2023, and its income and expenditure for the year then ended.

Gary Ferguson CPFA

Corporate Finance Manager (Chief Finance Officer)

Audit Report

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

Return to front cover

Appendix 8: Financial Report

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 2022/2023

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	29	(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 following table 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 last 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

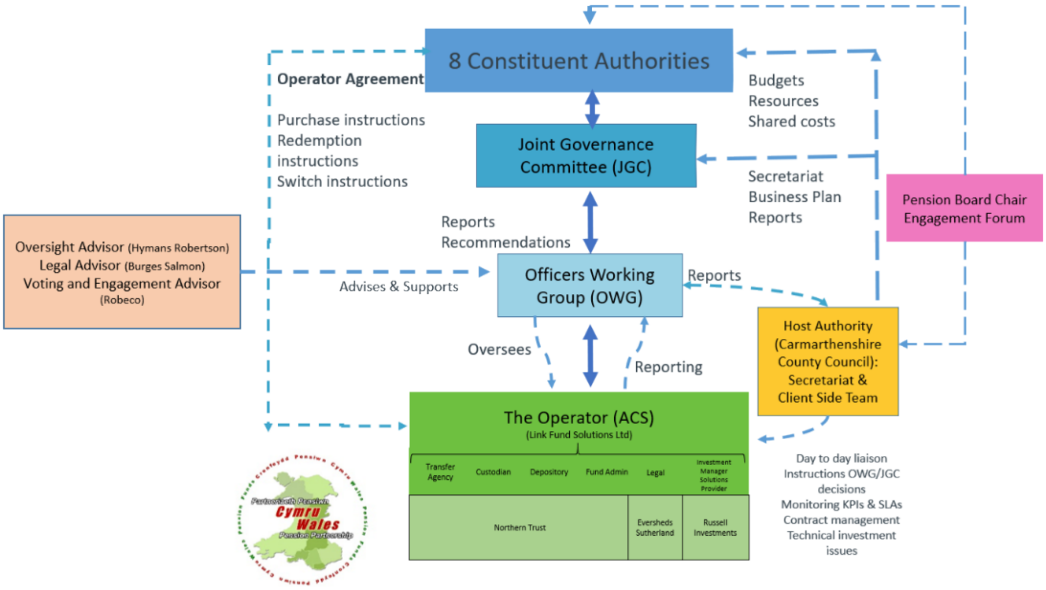
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history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

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

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

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

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

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

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which include 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.

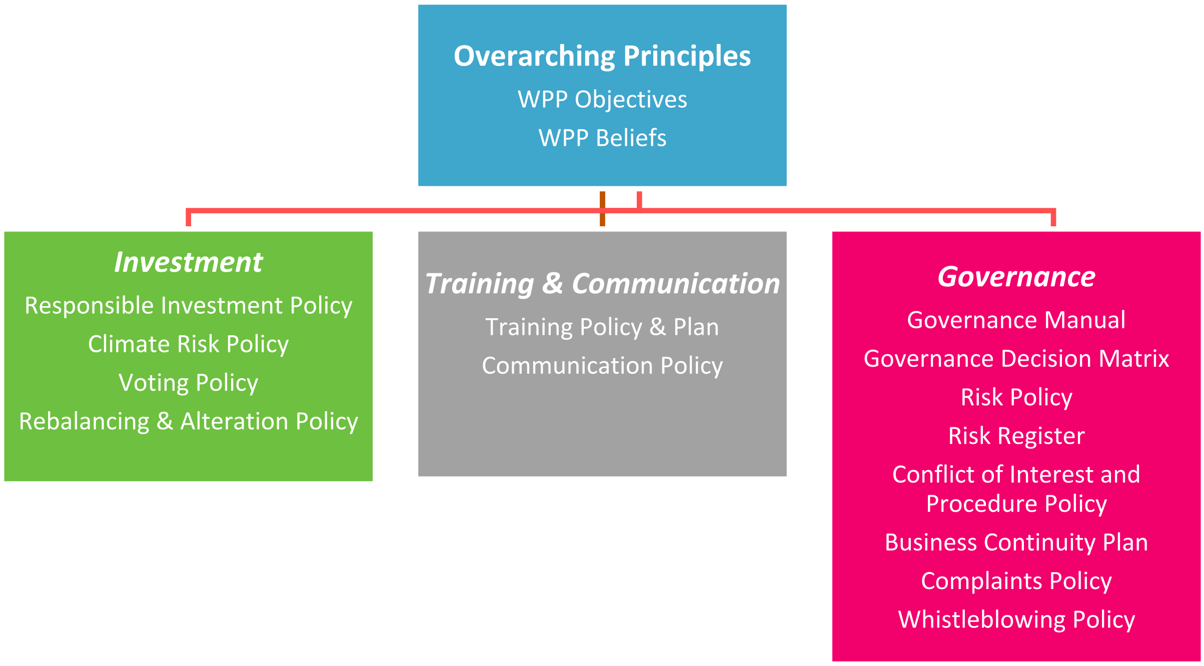
Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

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 overleaf:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%

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**

The following 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.

	31 March 2023 £000	%
Global Opportunities Equity Fund	130	5.9
Multi Asset Credit	231	10.5
Emerging Market Equity Fund	116	5.3
Investments not yet pooled	1,723	78.3
Total Investment Assets excluding cash	**2,200**	**100**

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.

Cronfa Bensiynau CLWYD Pension Fund

	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**
Emerging Market Equities Active	220,789	8.9	115,712	5.0	**-1.6**	**-3.5**
Global Equities Active	129,762	5.2	130,027	5.7	**0.2**	**0.5**
Bonds Active	246,032	9.9	230,688	10.0	**-7.1**	**6.3**
Total Pool Assets	**730,116**	**29.4**	**476,427**	**20.7**		
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. At the time of reporting, 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.

Return to front cover

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.

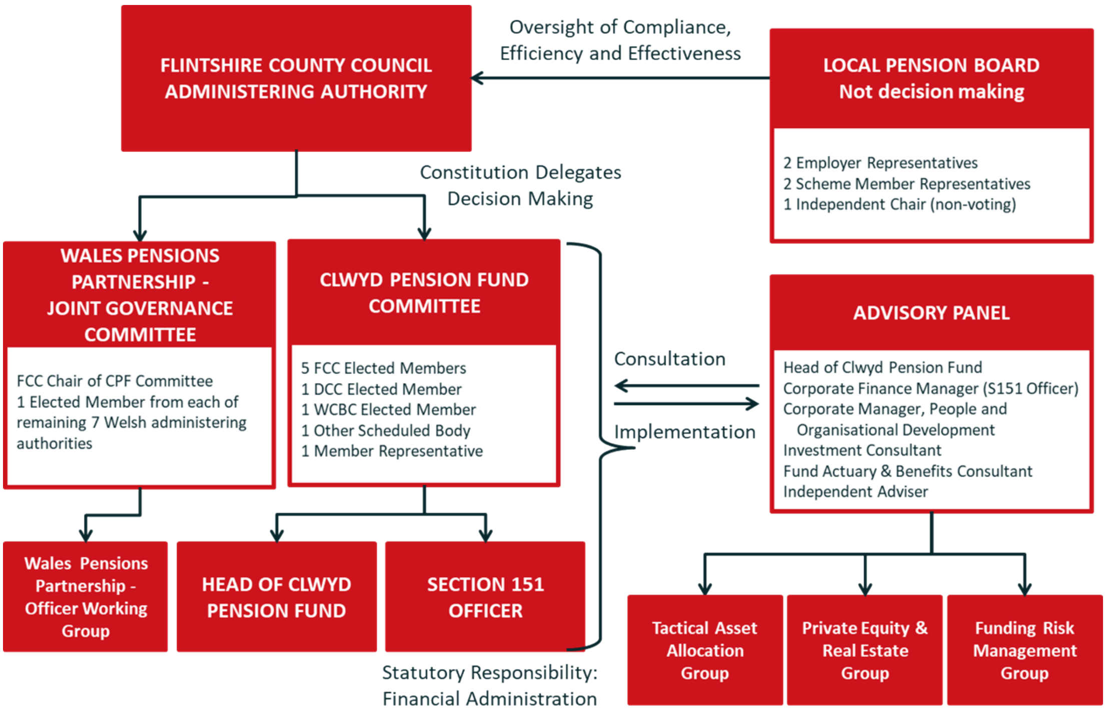
The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The 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, Communications Strategy, and Administration Strategy. These documents describe the Fund's objectives together with the main risks facing the Fund and the key controls which mitigate them. In addition, the Fund has a Business Plan, Breaches Procedure, Risk Policy, Conflicts of Interest Policy, Knowledge and Skills Policy, Cyber Strategy and Anti-Fraud and Corruption Policy which support the governance framework.

Use of financial data

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

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

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

Risk Management

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

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

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

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

Philip Latham	Cllr Ted Palmer
Head of Clwyd Pension Fund	Chair of the Clwyd Pension Fund Committee

Return to front cover

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

Cronfa Bensiynau CLWYD Pension Fund

	‘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.

Return to front cover

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.

Cronfa Bensiynau
CLWYD
Pension Fund

mss.clwydpensionfund.org.uk

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

Archwilio Cymru
Audit Wales

Audit of Accounts Report – Clwyd Pension Fund

Audit year: 2022-23

Date issued: November 2023

Document reference: 3929A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

Audit of Accounts Report

Introduction

1 We summarise the main findings from our audit of your 2022-23 annual report and accounts in this report.

2 We have already discussed these issues with the Deputy Head of Pension Fund.

3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.

4 We set this level at £23,051,000 for this year's audit.

5 There are some areas of the accounts that may be of more importance to the reader. We have set a lower materiality level related party transactions £1,000

6 We have now substantially completed this year's audit, but the following work is outstanding:

- Final review of the annual report;
- Benefits payable;
- Contributions income;
- Investment assets; and
- Related party transactions.

7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

8 We have previously notified you of two potential threats to auditor independence and objectivity arising from the audit lead and an audit trainee being deferred members of the pension fund and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

9 We identified one further threat to auditor independence during the course of the audit, arising from a member of the audit team being in receipt of a pension from the pension fund. We ensured that the individual did not undertake any work that required accessing any personal information, such as testing of contributions receivable and benefits payable.

10 We also wish to inform you of a change in the audit team from that set out in the detailed audit plan. Mike Whiteley has now replaced Michelle Phoenix as Audit Manager for the Clwyd Pension Fund audit.

Proposed audit opinion

11 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.

12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

14 Our proposed audit report is set out in **Appendix 2**.

Audit risks update

15 In our detailed audit plan, we reported the following significant risks identified from our risk assessment and planning work:

Exhibit 1 – significant financial statement risks reported in detailed audit plan

Management override of controls
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].

Unquoted investments valuation
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.

16 As part of our continual risk assessment throughout the audit, we reassessed the unquoted investments valuation risk and reclassified it to a lower risk category of other areas of audit focus.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

18 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

19 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There was one issue arising in these areas this year:

Outstanding Capital Commitments (Investments)

20 Note 24 of the accounts discloses outstanding capital commitments at 31 March 2023 of £277m. Our testing of a sample of commitments included within the total disclosed in the note identified a number of errors resulting in the commitment being misstated. Using the error rate identified from our testing, we project that the outstanding commitments are overstated by £18.5 million.

21 We have discussed the nature of the errors with the Deputy Head of Pension Fund, who has chosen not to make any amendments to the disclosure in the accounts given the amounts 'called' by the funds are irregular in size and timing and that the error is not material.

22 Improvements are required to the Pension Fund's processes for valuing outstanding capital commitments to ensure that the value disclosed at the year-end is accurate. Further detail is included in recommendation 1 in in **Appendix 4**.

Recommendations

23 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

Audited body's letterhead

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

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

Financial statement representations

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

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

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

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

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

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

Representations by the Pension Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 29 November 2023.

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

Signed by:	Signed by:
Gary Ferguson	Ted Palmer
Corporate Finance Manager	Chair of Clwyd Pension Fund Committee
Date: 29 November 2023	Date: 29 November 2023

Appendix 2

Proposed Audit Report

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

Opinion on financial statements

I have audited the financial statements of Clwyd Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004. Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

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

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

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

Other information

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

I have nothing to report in this regard.

Opinion on other matters

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

Matters on which I report by exception

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

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

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

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

My procedures included the following:

- Enquiring of management, the pension fund's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Clwyd Pension Fund's policies and procedures concerned with:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I

identified potential for fraud in the following areas: management override of controls.

- Obtaining an understanding of Clwyd Pension fund's framework of authority as well as other legal and regulatory frameworks that Clwyd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Clwyd Pension Fund.
- Obtaining an understanding of related party relationships.

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

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

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

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

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

Other auditor's responsibilities

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Appendix 3

Summary of Corrections Made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Various	**Note 15B – Reconciliation of fair value measurements within Level 3** • Pooled property investments – Sales: Increase from (£4,387,000) to (£5,798,000) • Pooled property investments – Unrealised gains and losses: Increase from (£7,231,000) to (£18,009,000) • Private equity and joint venture funds – Sales: Increase from (£47,568,000) to (£50,454,000) • Private equity and joint venture funds – Unrealised gains and losses: Increase from £3,376,000 to £6,262,000 • Infrastructure funds – Sales: Increase from (£22,168,000) to (£23,320,000) • Infrastructure funds – Unrealised gains and losses: Increase from £13,789,000 to £14,939,000 • Timber and agriculture – Sales: Increase from (£3,796,000) to (£3,939,000) • Timber and agriculture – Unrealised gains and losses: Increase from £119,000 to £261,000 • Private debt – Sales: Increase from (£6,267,000) to (£6,854,000) • Private debt – Unrealised gains and losses: Increase from £2,872,000 to £3,459,000 • Impact/local – Sales: Increase from (£7,437,000) to (£9,515,000) • Impact/local – Unrealised gains and losses: increase from £127,000 to £2,205,000	To correct the movements in fair value in Note 15B to reconcile to Note 13 Investments.

£98,281,000	**Net Assets Statement - Investment assets** Testing identified that the value of the Pension Fund's bank account was incorrectly included within Investment Assets instead of being shown separately as a current asset on the net assets statement: • Investment assets (also disclosed in Note 13): Reduce from £2,298,181,000 to £2,199,900,000 • Cash at Bank: Increase from £0 to £98,281,000.	To correct the misclassification of cash held in the Pension Fund's bank account.
£4,107	**Note 23 – Related party transactions** The value of allowances (£4,107) received by co-opted members of the Pension Fund was not separately disclosed in the note.	To ensure disclosure complied with the CIPFA Code of Practice
There have also been a number of minor amendments and disclosure updates as a result of our work.		

Appendix 4

Recommendations

We set out the recommendations arising from our audit with management's response to them. We will follow up this next year and include any outstanding issues in next year's audit report:

Exhibit 3: matter arising

Matter arising – Improvements required to arrangements for monitoring and valuing outstanding capital commitments	
Findings	Our audit testing of a sample of outstanding capital commitments disclosed in the financial statements identified a number of errors, resulting the value disclosed in Note 24 being overstated.
Priority	Medium
Recommendation	Improve the processes for monitoring and valuing outstanding capital comments to ensure more robust information is available to the Pension Fund and to support the disclosure in the financial statements.
Benefits of implementing the recommendation	Improved processes and more accurate information on outstanding capital commitments of investments held.
Accepted in full by management	Yes
Management response	Management agree to review the process for capturing data in relation to Private Market commitments for the 2023-24 audit of accounts.
Implementation date	March 2024

Archwilio Cymru
Audit Wales

Audit Wales

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Website: www.audit.wales

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

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

Cronfa Bensiynau
CLWYD
Pension Fund

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Final Letter of Representation

Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

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

Cronfa Bensiynau CLWYD Pension Fund

  – others where the fraud could have a material effect on the financial statements.

- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

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

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

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

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

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

Representations by the Pension Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 29 November 2023.

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

Signed by:	Signed by:
Gary Ferguson	Ted Palmer
Corporate Finance Manager	Chair of Clwyd Pension Fund Committee
Date: 29 November 2023	Date: 29 November 2023

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2023
Report Subject	Climate Change Analysis Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

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

- A draft of the Task Force on Climate-Related Financial Disclosures ("TCFD") report;
- A draft one page infographic summarising the key points from the TCFD report for members;
- The latest Analytics for Climate Transition ("ACT") analysis carried out for the Fund.

These documents cover the period ending 31 March 2023, and are attached as appendices to this report.

The report and the appendices include key findings in relation to the Fund's decarbonisation and actions for the future.

A glossary of key terms is available at the end of this report.

RECOMMENDATIONS	
1	That the Committee consider, discuss and note the draft Taskforce for Climate-Related Financial Disclosures (TCFD) report and the analysis from the Analytics for Climate Transition (ACT).

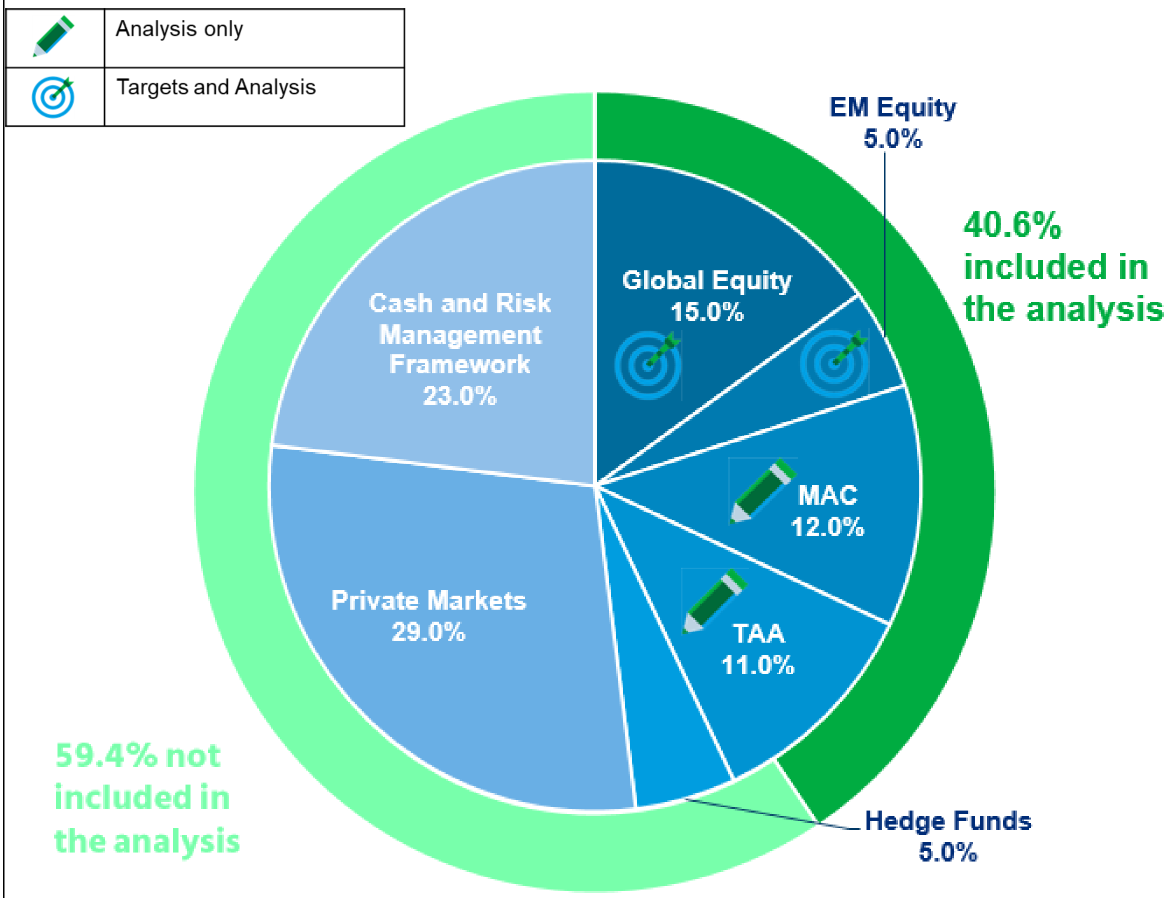
REPORT DETAILS

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

1.04	*Strategy* The Committee has considered the impact of climate change on the Fund's investment strategy. Analysis showed that in most scenarios, climate change would have a negative impact on the Fund's financial position unless the implementation of the strategy continues to evolve as the world decarbonises. The Committee has approved a number of climate beliefs within the Investment Strategy which are: • Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio. • Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders. • Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy. • As well as creating risk, climate change also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy. The initiatives that the Fund had previously agreed includes: • Helping develop a sustainable equity mandate with the WPP, and since allocating to this mandate. • Introducing more sustainable / ESG focused funds, where possible, into the Tactical Asset Allocation Portfolio when implementing new positions. • Implementing a fossil fuel Exclusions Policy in relation to its listed equity holdings (post March 2023). • Engaging with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture. • Supporting investments with strong sustainability/ impact focus by allocating 6% of the total portfolio to local/impact focused investments within private markets. • Endeavouring to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible. • Substantially increasing commitments to impact focused portfolios within Private Markets, including investments with a focus on clean energy and energy transition. During the period 1 April 2022 to 31 March 2023, the Fund increased its commitments to impact focused portfolios within private markets, this included investments with a focus on clean energy and energy transition. Looking forward, the Fund will continue to identify ways to reduce greenhouse gas emissions in order to meet agreed targets, reduce and eventually remove fossil fuel company exposure, continue to commit to investments that support the energy transition and increase the analysis coverage of the Fund's investments, mainly in the private markets allocations.

1.05	*Risk management* The Fund already has a Risk Management Strategy in place, which is being applied to managing climate risk in the same way as it is used to manage all other investment risks. The Fund prioritises the management of risks primarily based on the potential impact on the financial stability of the Fund and employer contribution rates. The Fund manages risk through Governance, Strategy, Reporting, Manager Selection and Monitoring, and Active Stewardship. Further information is provided within the report in Appendix 1.
1.06	*Metrics and targets* The Committee has agreed a target for the investments in the Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. Underlying this overall target, there are a number of other key targets as outlined below: a) for the Fund as a whole: • to have at least 30% of the Fund's assets allocated to sustainable investments by 2030. • to expand the measurement of the carbon emissions of the Fund's investments to include as many components of the assets as possible, based on the availability of reliable and accurate data. b) within the Listed Equity portfolio: • to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030. • to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030. • to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve: o by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective. o by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective. A summary of the Fund's performance against these targets, including progression again the 2021 baseline is included in the ACT report in Appendix 3. In order to be able to measure whether the Fund is achieving these targets, the following climate-related metrics are being used: • Absolute emissions metric • Emissions intensity metric: Carbon Footprint • Emissions intensity metric: Weighted Average Carbon Intensity (WACI)

	Analytics For Climate Transition (ACT)
1.07	The ACT report is included in Appendix 3. It provides a detailed analysis and information on the Fund's climate metrics, information on progress achieved versus targets and future areas of focus. *Purpose of analysis* The ACT analysis provides the Fund with an updated understanding of the Fund's climate transition progress and potential ("transition capacity") as at 31 March 2023. It is the third year of this analysis. The analysis was carried out on the Fund's listed equities (Global and Emerging Markets (EM) Equity), Synthetic Equity and Multi-Asset Credit (MAC) portfolios, as well as the Tactical Asset Allocation (TAA) portfolio, where data is available. This results in c.40.6% of the total Fund being analysed. The aim of the analysis is to: • Monitor progress against the Fund's listed equity targets across decarbonisation, exposure to fossil fuels (oil, gas, coal) and explore the proportion of emissions within high impact sector that are currently under engagement or aligned with a low carbon future. • Understand the transition capacity of the Fund's listed equity, MAC and TAA portfolios. • Present an updated high level implementation plan for listed equities that incorporates further asset classes over time. To date, the recommended targets have been set on scope 1 and 2 emissions. When the level of corporate reporting of scope 3 emissions improves, the analysis will look to incorporate this data within the Fund's emissions baseline and target setting framework. Carbon footprint is the primary metric for monitoring the decarbonisation progress; progress is also monitored against absolute emissions and weighted average carbon intensity (WACI). The targets were set relative to a baseline in 2021.
1.08	*Holdings analysed* Carbon metrics have been analysed on 40.6% of the Fund's Strategic Asset Allocation, which is broadly similar to last year. In relation to other areas of the Fund's assets, there is an active ongoing exercise to gather carbon metrics data. Over time as consensus around methodology for less conventional asset classes grows, this analysis will cover a greater proportion of the Fund.



Where there is partial coverage of a portfolio the absolute emissions metric is scaled up to estimate coverage for 100% of the mandate. Within the Cash and Risk Management Framework there is exposure to synthetic global developed equity and this is included in the analysis.

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

1.09 *Key findings and areas for focus*

Pages 4 and 5 in appendix 3 provide the overview of the Fund's progress against its targets. Key findings from the ACT analysis are summarised below:

- Decarbonisation progress over the period: the listed equity portfolio, on a carbon footprint basis, has increased by 2.7%, mostly as a result of the WPP Emerging Market Fund intensity increasing by 16% over the year.
- Additional analysis was carried out to show the impact of transitioning from the WPP Global Opportunities Fund to the WPP Sustainable Active Equity Fund. As a result, the carbon footprint of the listed equities reduced by an estimated c.24% from March 2023 to July 2023 and c.22% from March 2022 to July 2023. Overall, this brings the decarbonisation progress made to being modestly behind target. Please refer to page 7 of appendix 3.
- In context of the wider market, from March 2022 to March 2023, the benchmarks of the listed equity holdings had also seen an increase in carbon footprint, as can be shown on page 8 of appendix 3. This was largely driven by strong performance within the energy sector.

	• Weighted average carbon intensity (WACI) decreased over the 12 months to March 2023 by 6.4% and by 22.5% post the switch to the WPP Sustainable Active Equity Fund (March 2022 to July 2023). This indicates that the companies that the Fund ultimately invests in are less carbon intensive now than they were a year ago. • On the Absolute Emissions basis, the Fund has seen a decrease of 11.1% over the 12 months to March 2023, and by 32.9% post the WPP Sustainable Active Equity Fund switch. Page 8 of appendix 3 provides the progress made against the baseline for the listed equities.

1.10	Mercer's recommended key areas of focus for the next 12 to 18 months are summarised below:
	
	• Monitor suitability of Listed Equities decarbonisation target
	• Look at sustainability options for Emerging Market equities
	• Set and refine granular plans/targets across:
	  ○ Transition alignment
	  ○ Stewardship
	  ○ Sustainable / climate solutions
	• Expand net zero approach beyond Listed Equity assets to other assets, based the availability to robust and accurate data.
	• Review potential opportunities to biodiversity / natural capital investments.

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

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

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

5.00	**APPENDICES**
5.01	Appendix 1 – Task Force on Climate-Related Financial Disclosures (TCFD) – 31 March 2023 Appendix 2 – TCFD Member Summary – Infographic – 31 March 2023 Appendix 3 – Analytics for Climate Transition (ACT) – 31 March 2023

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Investment Strategy Statement – see agenda item 4. **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	A list of commonly used terms are as follows: a) **Administering Authority or Scheme Manager:** Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. b) **Carbon footprint:** The amount of carbon dioxide (or other greenhouse gasses) released into the atmosphere as a result of the activities of a particular individual, organization or community. Carbon footprint is calculated for each company as (Scope 1 and 2 carbon emissions / $m investments). See also Scope 1, 2, 3 emissions and Weighted Average Carbon Intensity (WACI). c) **Carbon intensity:** The amount of emissions of carbon dioxide (or other greenhouse gasses) released per unit of another variable such as revenue, gross domestic product (GDP), per $1million invested etc. See also Weighted Average Carbon Intensity (WACI). d) **Carbon price:** The price for avoided or released carbon dioxide (CO_2) or CO_2-equivalent emissions. This may refer to the rate of a carbon tax, or the price of emission permits. In many models that are used to assess the economic costs of mitigation, carbon prices are used as a proxy to represent the level of effort in mitigation policies. e) **Carbon neutrality:** Achieved by offsetting emissions by paying for credits (usually certified via new forestry equivalents that provide carbon removal). Carbon neutrality is similar to net zero targeting – the latter requires actual emissions reductions to meet targets though (rather than purchasing offsets). See also Net Zero CO_2 emissions. f) **Clwyd Pension Fund (the "Fund"):** The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. g) **Clwyd Pension Fund Committee (the "Committee"):** The Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. h) **Decarbonisation:** The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry and

transport.

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

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

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

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

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

n) **Local Authority Pension Form Forum (LAPFF):** Is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

cc) **Taskforce on Nature-Related Financial Disclosures (TNFD):** market-led,

	science-based TNFD framework enabling companies and financial institutions to integrate nature into decision making dd) **Transition alignment:** the process of moving away from high-carbon intensive processes towards business models and assets aligned with a low carbon future and the Paris agreement. Different sectors will have different pathways to net zero. ee) **Transition risks:** Risks from policy changes, reputational impacts and shifts in market preferences, norms and technology as the economy moves to a low carbon approach. See also Physical risks. ff) **Weighted average carbon intensity (WACI):** The carbon intensity of a portfolio, weighted by the proportion of each constituent in the portfolio. Carbon intensity is calculated for each company as (Scope 1 and 2 carbon emissions / $m revenue). See also Carbon footprint. gg) **Wales Pension Partnership (WPP):** A collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.

Mae'r dudalen hon yn wag yn bwrpasol

Clwyd Pension Fund

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

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

Clwyd Pension Fund
Reporting period: 12 months [illegible] 2023

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Contents

Section 1
Introduction

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

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

An assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Fund invests, and in consideration of the different global warming scenarios. This data is subject to change as climate change reporting improves.

Climate change is one risk amongst many that the Fund measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way.

This report has several sections:

Section	Information
Governance:	How the Fund incorporates climate change into its decision making
Strategy:	How potential future climate warming scenarios could impact the Fund
Risk Management:	How the Fund incorporates climate-related risk in its risk management processes
Metrics and Targets:	How the Fund measures and monitors progress against different climate-related indicators known as metrics

The final section sets out the methodology and assumptions used to produce the information contained in this report.

As always, members and employers are encouraged to contact the Fund if there are comments they wish to raise.

You can contact the Fund via email: pensionsinvestments@flintshire.gov.uk

Philip Latham
Head of the Clwyd Pension Fund

Section 2
Executive Summary

The Committee recognises that the risks and opportunities associated with climate change could impact the long term financial position of the Fund. There is also a recognition that this is a complex issue.

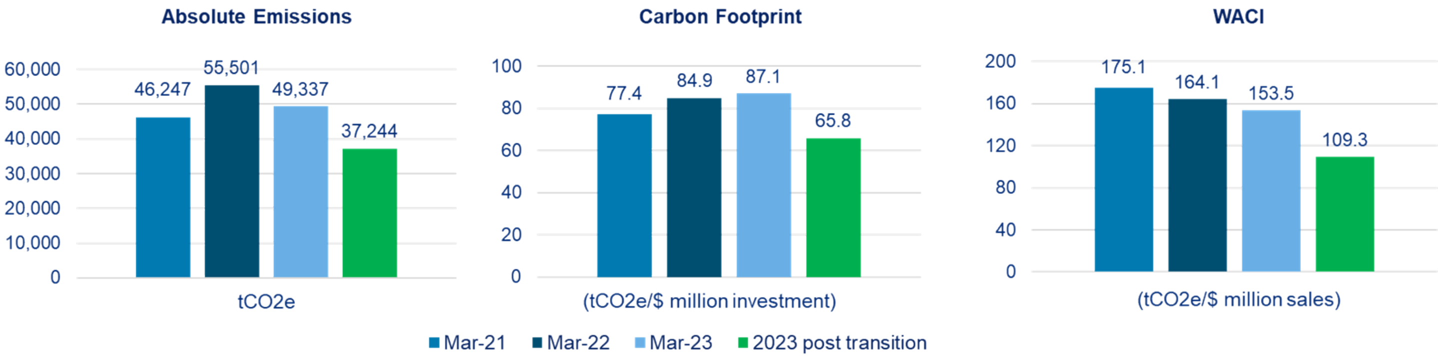
The Committee conducted baseline analysis on the Fund's investments as at 31 March 2021, and ultimately agreed a range of targets. Full details on all of the Fund's targets can be found in Section 7 of the report, with the key targets being:

- **to target a net zero investment portfolio (covering all assets) by 2045 or earlier;**
- **shorter-term target of a 50% or more reduction in greenhouse gas emissions by the end of 2030;**
- **targets relating to the physical Listed Equity holdings, seeking a reduction in greenhouse gas emissions of 36% by 2025 and 68% by 2030.**

The ultimate target of achieving net zero across all of the portfolio will take time and be dependent on future developments which are uncertain. For example, outside of listed equities, greenhouse gas emission data quality is less robust. The Fund accepts it will take time to improve data quality to enable all assets to be incorporated and so the focus of this report is on the listed equity portfolio (target three above).

Progression against key metrics

The charts below highlight the changes in the three main carbon metrics year on year for listed equities, starting from the 31 March 2021 (baseline date) up to 31 March 2023. Additionally, the green bar represents the post transition position of the Fund having divested from the WPP Global Opportunities Fund and invested into the WPP Sustainable Active Equity Fund in June 2023.



Source: MSCI ESG Research LLC (reproduced by permission). Mercer Limited.

From March 2022 to March 2023, the carbon footprint of the wider market increased due to the relatively strong performance of the energy sector, following the Russian invasion of Ukraine.

Over the same period, **the absolute emissions of the Fund's listed equity portfolio decreased by 11.1%**, **Carbon Footprint increased by 2.7% (as seen across global benchmarks),** whilst the **Weighted Average Carbon Intensity (WACI) decreased over the same period by 6.4%.**

Taking into account an updated position allowing for the WPP Sustainable Active Equity Fund, the movement from March 2022 to July 2023 has resulted in a **32.9% reduction in Absolute Emissions, 22.5% reduction in Carbon Footprint and a 33.4% reduction in WACI.**

WACI analysis continues to show improvement year-on-year; this demonstrates that the companies the Fund ultimately invests in are less carbon intensive now than they were a year ago and **substantially less intensive than they were in March 2021 (c.37%).**

Post transition analysis shows that the **Fund has improved across all three metrics since its baseline in 2021.** This is a positive step towards the Fund achieving its ultimate goal of reducing emissions and achieving net zero by 2045. The Committee continues to look to identify appropriate opportunities to make further progress in this area.

Progress to date

The Fund has already taken actions to support the targets and initiatives that were previously agreed, including:

- Helping develop a sustainable equity mandate with the WPP, and since allocating to this mandate;
- Introducing more sustainable / ESG focused funds, where possible, into the Tactical Asset Allocation Portfolio when implementing new positions;
- Implementing a fossil fuel Exclusions Policy in relation to its listed equity holdings (post March 2023), full details of this policy are provided within Appendix B;
- Engaging with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture;
- Supporting investments with strong sustainability/ impact focus by allocating 6% of the total portfolio to local/ impact focused investments within private markets;
- Endeavouring to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible;

Actions to achieve targets going forward

A number or areas have been identified to consider going forward to help the Fund move closer towards achieving its targets, including but not limited to:

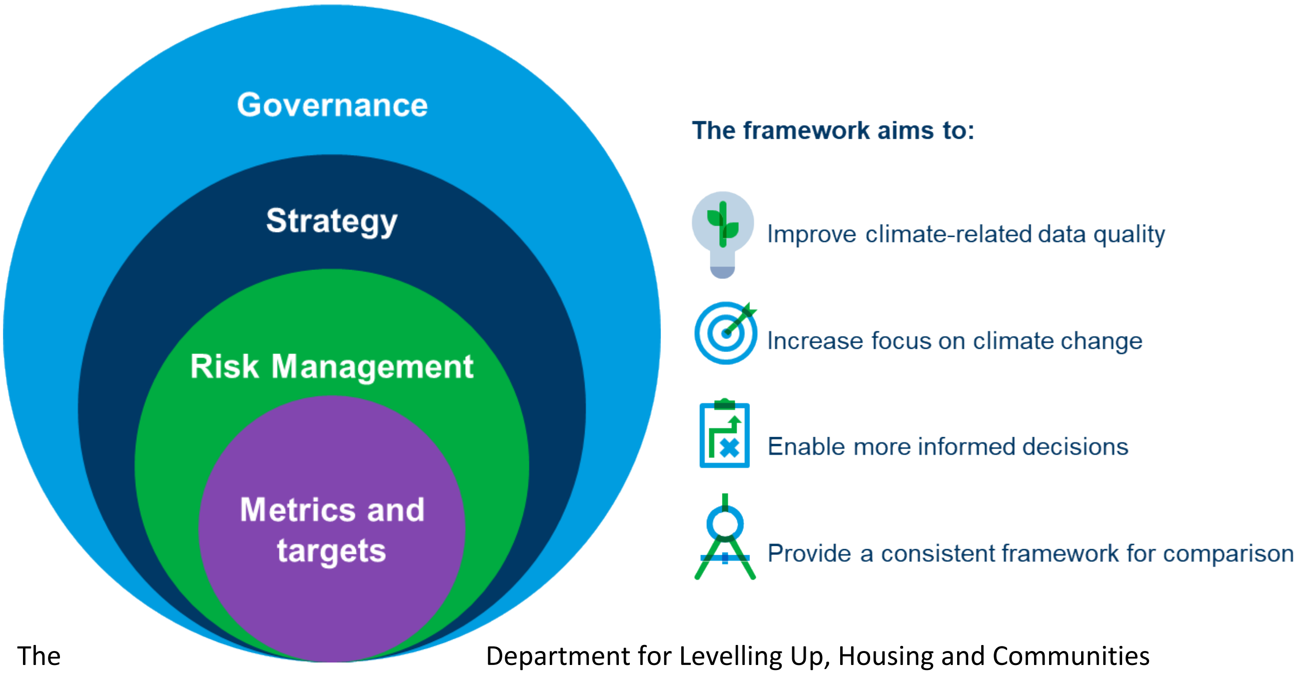
- Reducing ongoing Greenhouse Gas emissions, to meet agreed targets;
- Monitoring exposure versus the agreed fossil fuel exclusions policy;
- Continuing to commit to investments that support the energy transition;
- Increasing the analysis coverage of the Fund's investments (i.e. private markets – subject to data availability and quality).

Further information including expanded areas of consideration are detailed at the end of Section 7 of this report.

Section 3
The TCFD Framework

The Financial Stability Board created the TCFD framework in 2015. TCFD was created to improve and increase reporting of climate-related financial information that can promote more climate-informed investments. In 2017, the TCFD recommended a framework for disclosing how climate-related risks and opportunities are measured, monitored and managed by companies, asset managers and asset owners.

The recommendations are in four key areas:



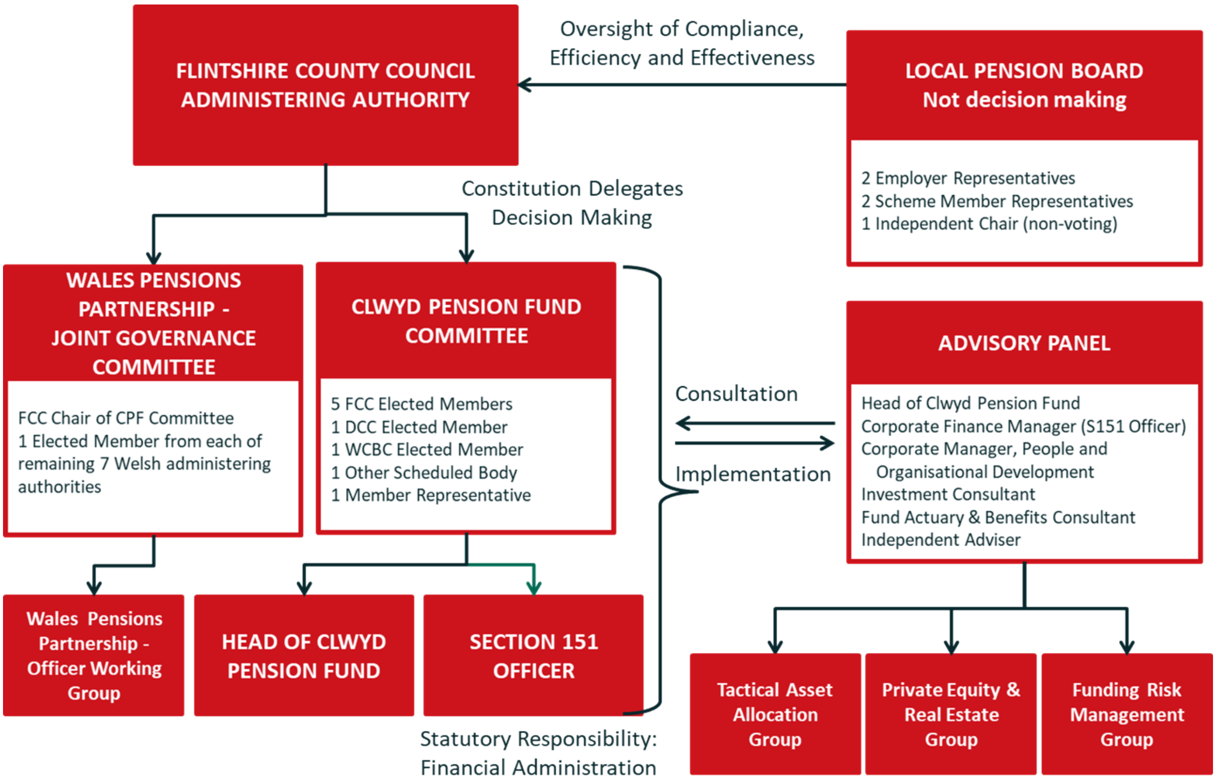
The Department for Levelling Up, Housing and Communities (DLUHC) consulted on proposals for new requirements on LGPS ("Local Government Pension Schemes") administering authorities in 2022 and 2023. The Fund responded to the consultations and will continue to engage on this vitally important topic, along with Flintshire County Council (as administering authority for the Fund).

The latest information for the LGPS is that individual funds will be expected to report on climate-related risks and opportunities within annual 'Climate Risk' reports. The timing of such report is yet to be confirmed by the government. The Fund is well prepared for future potential requirements on TCFD reporting given the extensive regular monitoring and actions already being taken by the Committee.

Section 4
Governance

Governance Approach

The Committee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The structure of the Fund's governance arrangements is illustrated below:



Pension Fund Committee (the "Committee")

The Fund is governed by the Committee who have the responsibility for all Fund matters including governance, investment and funding strategies, accounting, employer and scheme member engagement, communications, and administration. The Committee delegates the day-to-day running of the Fund to Officers. The Head of Clwyd Pension Fund has overall delegated powers for the management of the Fund on a day-to-day basis.

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

The Committee, amongst other responsibilities, is responsible for approving the Fund's Investment Strategy Statement including setting the Responsible Investment policy and climate targets as recommended under TCFD. Further details on the roles and functions of the Committee are set out in the Fund's Governance Policy & Compliance Statement.

The members of the Committee have fiduciary and public law duties to the Fund’s scheme members and employers, which is analogous to the responsibilities of trustees in the private sector.

The Committee may also delegate a limited range of its functions to one or more Officers of Flintshire County Council, which it does so under a formal Scheme of Delegation, which ensures timely decision making at an appropriate level.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Committee, ensuring a clear separation of responsibility.

Pension Board (the “Pension Board”)

The Pension Board ensures the effective and efficient governance and administration of the Pension Fund and assists the Fund in securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Fund, including TCFD recommendations. The Pension Board is not a decision making body in relation to the management of the Fund.

The Pension Board operates independently of the Committee.

LGPS Asset Pooling – Wales Pension Partnership (WPP)

The Wales Pension Partnership (WPP), is the pooling partner for the Clwyd Pension Fund. The Fund looks to invest with the WPP where appropriate investment solutions (sub-funds) are available that fit the Committee’s investment strategy requirements. Investment of non-pooled assets is overseen by the Fund’s Officers (and the Committee).

The WPP’s Joint Governance Committee (JGC), which is comprised of Committee Chairs of each of the underlying constituent authorities (i.e. the participating pension funds), has approved a responsible investment policy and a climate risk policy for the WPP. The policies represent a broad range of investment beliefs within the Pool and show the desire of the WPP to be a leader in responsible investment. The WPP are a signatory of the UK Stewardship Code 2020.

The Fund has representation on the WPP’s Officer Working Group and WPP’s Responsible Investment Sub-Group, who are responsible for formulating and delivering WPP’s Responsible Investment Workplan, as well as liaising with the WPP’s Voting and Engagement Provider (Robeco).

The WPP Responsible Investment Sub Group has worked to develop reporting on the ESG and climate risk characteristics of WPP’s sub-funds. This reporting is being prepared independently of the investment manager’s reporting, so provides independent verification, and will be shared with constituent authorities in due course. Robeco also provide quarterly reporting on Voting and Engagement activity, which has been shared with the constituent authorities.

Overall, in relation to climate change the WPP is responsible for:

- Appointing the voting and engagement provider (Robeco)
- Creating new sub-funds available for the constituent authority members of the WPP, within which they invest; and therefore there is a requirement to provide adequate sustainable funds available for investment
- Reporting and monitoring on climate exposures within the WPP sub-funds

Responsible Investment Overview

The Fund maintains an Investment Strategy Statement (ISS), which details the key objectives, risks and approach to considering Environmental, Social and Governance ("ESG") factors, such as climate change, as part of its investment decision making. The document is reviewed on at least a triennial basis.

The Fund recognises the importance of its role as steward of capital; the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which it invests. It also recognises that ultimately this protects the financial interests of the Fund and its beneficiaries. The Fund is committed to actively exercise the ownership rights attached to its investments. This reflects the Fund's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest and recognise that companies' activities impact upon not only their customers and clients, but more broadly upon their employees, other stakeholders and wider society.

The Fund defines a Responsible Investment (RI) as:

"Incorporating sustainability considerations within the investment process, including environmental, social and governance (ESG) factors for a broader perspective on risk and return opportunities."

In developing its approach to RI, the Fund seeks to understand and manage the ESG and reputational risks to which it is exposed. This Fund's RI Policy sets out its approach to this.

The foundations of the Fund's approach to RI are its Principles which are set out below:

- The Fund's fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues create risk and opportunity to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore, that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process.
- The Fund is a long-term investor, with pension promises for many years, and because of this, it seeks to deliver long-term sustainable returns.
- The Fund integrates ESG issues at all stages of the Fund's investment decision making process.
- The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.
- The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.
- The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.

- The Fund recognises the significant financial risk of not being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.
- The Fund recognises the importance of social/impact investments, which can make a positive social and environmental impact whilst meeting its financial objectives, and it will make selective investments to support this aim.

Oversight of climate change risks

The Fund recognises the importance of addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders.
- Engagement is the best approach to enabling the change required to address the Climate Emergency, however selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well as creating risk, climate change also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

Net Zero Commitment

As part of its commitment to RI, the Fund has undertaken to evaluate and manage the carbon exposure of its investments to assist in ensuring an effective transition to a low-carbon economy. As part of this work, on 10 November 2021 the Committee approved a strategy to achieve net-zero carbon emissions from its investment portfolio. This included carbon emissions analysis of the listed equity portfolio to provide a baseline for the Fund. **Specifically, the Committee agreed a target for the investments in the Clwyd Pension Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030.** Underlying this headline commitment, the plan also has a number of other key targets, which are outlined later in the report (Section 7).

The Fund monitors and reports against these targets annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with the latest science and national and international developments and initiatives.

Fund's Advisors

Investment Consultant

The Committee of the Fund have appointed Mercer Limited (Mercer) as Investment Consultant to the Fund. Mercer's role is to provide ongoing advice on investment strategy and manager appointments (where relevant). This includes advice on managing and monitoring investment-related risks, such as climate change and is considered at quarterly meetings. Mercer will assist in the production of the Fund's TCFD report on an annual basis. As Investment Consultant, Mercer also acts as a member of the Clwyd Pension Fund Pension Advisory Panel.

Actuarial Advisor

The Committee has appointed Mercer as the Fund's actuary, whose role and responsibilities include:

- Acting as a member of the Clwyd Pension Fund Pension Advisory Panel and the Funding and Risk Management Group
- Preparing actuarial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency, including the review of contributions between valuations where appropriate
- Helping the Fund to understand the potential funding impact of climate change (including the impact on financial and demographic assumptions and providing input into the climate risk analysis driving strategic asset allocation decisions).

Independent Advisor

The Committee has appointed Aon as the Independent Advisor to the Fund. Aon carries out an annual review of the governance of the Fund as a whole, against Aon's best practice governance framework. By seeking external assurance from an independent third party, the Fund and its stakeholders can be confident of an unbiased and unprejudiced view of the effectiveness of the Fund's governance processes. The Independent Advisor also acts as a member of the Clwyd Pension Fund Pension Advisory Panel.

Annual assessment of advisors

On an annual basis the Head of the Clwyd Pension Fund, Philip Latham completes review meetings with all service providers.

Training and engagement

During the year to 31 March 2023, the Committee received training from the Fund's Investment Consultant, Mercer, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. In addition, WPP ran training on responsible investment, the Stewardship Code, TCFD reporting as well as areas such as sustainable equities which was made available to all Committee (and Board) members.

Climate change forms an explicit agenda item on a regular basis for the Committee. The Committee allocates a considerable amount of time to climate change considerations at meetings and will allocate further time at future meetings if any analysis or wider industry research requires additional review and consideration.

Day-to-day implementation

The implementation of the management of climate change-related risk with respect to specific securities held through WPP is delegated to WPP and third party portfolio managers. Each manager's approach to ESG issues and how these are integrated into their investment process is assessed as part of the manager selection and monitoring process.

Section 5
Strategy

The effects of climate change are already present and will emerge at different times in the future and to different extents. The Committee believe it is important to understand how the Fund's exposure to climate-related risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Fund.

To help with this assessment, the Fund has defined short, medium and long-term time horizons for the scenario analysis of climate related risks. The scenario analysis conducted was done on the whole of the Fund's assets and liabilities. The climate-related risks and opportunities that are relevant to the Fund vary over these periods. The Committee expects to revisit the relevance of these time periods on a regular basis.

Period	Scenario Description
Short Term (5 years)	Over the short term transition risk dominates with a Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain.
Medium Term (20 years)	Over the medium term, transition risk and physical risk are both important factors. The impact of transition risks under a Rapid Transition and physical risks under a Failed Transition are broadly similar. Over the medium term, risks associated with the transition to a low carbon economy are likely to dominate. These include the development of technology and low carbon solutions. Policy, legislation and regulation are likely to also play a key role at the international, national and subnational level. Technology and policy changes are likely to produce winners and losers both between and within sectors and lead to stranded asset risks.
Long Term (40 years)	Over the long term, physical impacts become significant, with a Failed Transition resulting in significant falls in asset value relative to the baseline. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water.

Climate Change Scenario Analysis

In 2022, the Committee commissioned strategic scenario analysis on the Fund's strategic asset allocation to assess the potential implications of climate change. This was the second commissioned scenario analysis carried out for the Fund, with the first analysis carried out in 2020.

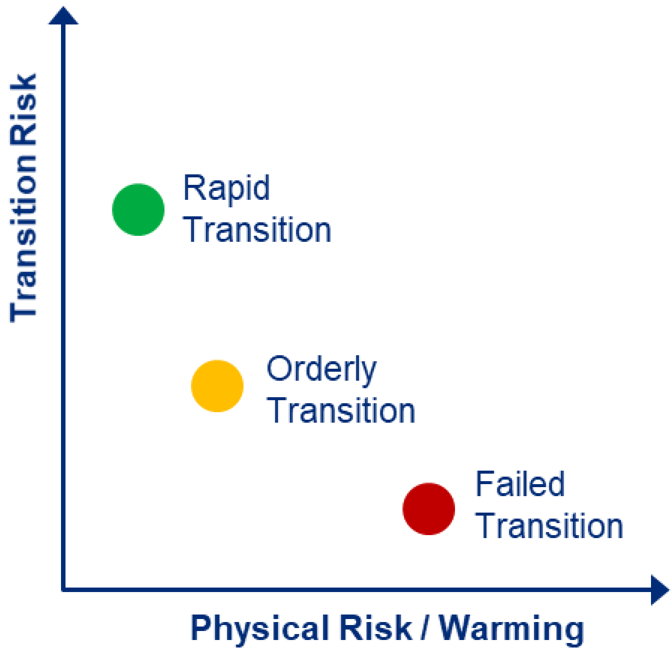
The analysis covers the Fund's whole portfolio, modelling three forward looking climate change scenarios constructed to explore a range of plausible figures over 5 to 40 years. The analysis models the climate shock impacts over these periods and includes funding level projection scenarios (from the analysis date of 31 March 2022), from a rapid transition that limits warming to 1.5°C to a failed transition with warming above 4°C. The impact is shown on a relative basis, which is the critical metric. Each of the scenarios reflect different climate change policy ambitions that result in varying CO2 emissions pathways and levels of economic damages related to climate change. These have been developed in partnership with Ortec Finance using existing climate change models (Cambridge Econometrics' E3ME model) and through an extensive literature review. This collaboration enables the Fund to better understand the strategic risks and opportunities presented by climate change.

A key strength of the scenarios is that it allows for climate impacts to be "priced-in" before they happen. This reflects likely market dynamics and means climate impacts are more likely to exhibit within investment timeframes.

The three scenarios used in the modelling are outlined below.

- **1.5°C Rapid Transition scenario:** Average temperature increase of 1.5 C by 2100 in line with the Paris Agreement. This scenario assumes sudden large scale downward re pricing across multiple securities in 2025. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and is therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario.

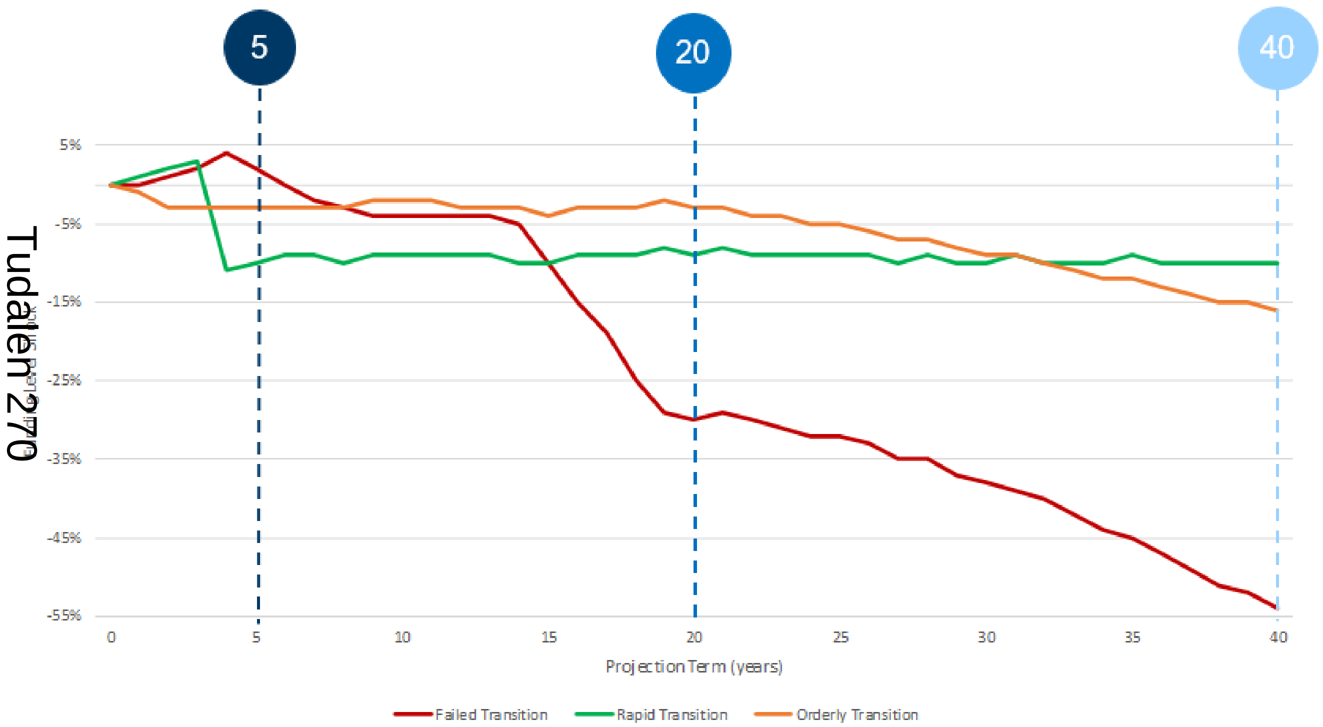
- **<2°C Orderly Transition scenario:** Average temperature increase of less than 2.0 C by 2100. This scenario assumes political and social organisations act in a coordinated way to implement the recommendations of the Paris Agreement to limit global warming to well below 2 C. Transition impacts do occur but are relatively muted across the broad market.



- **4°C Failed Transition scenario:** Average temperature increase above 4.0 C by 2100. This scenario assumes the world fails to coordinate a transition to a low carbon economy and global warming exceeds 4 C above pre industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

Summary Climate Change Scenario Analysis

Funding Level Projection – Relative Impact



Key points at different time frames :

5 — 5 Years – Over this time period, transition risk dominates. The Rapid Transition is the most impactful scenario. Under this scenario there is a shock which reduces the funding level by about 10% relative to baseline. The Failed Transition is marginally positive relative to the baseline due to transition costs not materialising.

20 — 20 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the funding position to c.30% lower than the baseline projection.

40 — 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the funding position to c.54% lower than the baseline projection. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario after 31 years.

Source: Mercer Limited.

Details on climate change scenario analysis assumptions are provided within Appendix A. In particular, the Committee recognises that modelling the impact of climate change, especially the physical impacts, and the potential knock-on impact to the value of the Fund's assets, is extremely complex and will evolve over time. As such, climate scenario modelling is one of multiple sources of information and analysis that is considered to help in the Committee's decision-making.

Section 6
Risk Management

A key part of the Committee's role is to understand and manage risks that could have a financially material impact on both the Fund's investments and the wider funding position. Climate change is one of the risks that the Fund consider alongside other financially material risks. These risks could impact the Fund's ability to achieve the require investment returns to ensure that the Fund remains affordable for employers and members.

This section summarises the primary climate-related risk management processes and activities of the Fund. These help the Committee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to. The Fund prioritises the management of risks primarily based on its potential impact on the financial stability of the Fund and contribution rates.

Governance

- The Fund's Investment Strategy Statement is reviewed on a triennial basis and sets out how investment climate-related risks are managed and monitored.
- A risk register is maintained, which includes explicit climate risks, the risk register is reviewed quarterly by officers, advisors and the Committee.
- The Committee receive training at least annually on climate-related issues. The training allows the Committee to challenge whether the risks and opportunities are effectively allowed for in their governance processes and wider activities, and to be able to challenge their advisors to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities.

Strategy

- Mercer take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Fund.
- Climate scenario analysis for the Fund will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation. A summary of the Fund's climate scenario analysis is included in the strategy section of this report.
- The Fund undertakes climate transition capacity analysis on the relevant assets using Mercer's Analytics for Climate Transition ("ACT") tool. Overall, the latest analysis covers c.40% of the total Fund. The aim of the analysis is to:
    - Monitor progress against the Fund's targets including decarbonisation, and explore the proportion of emissions within high impact sector that are currently under engagement or aligned with a low carbon future.
    - Understand the transition capacity of the Fund's assets.
    - Present an updated high level implementation plan for relevant assets and that incorporates further progress over time.

Reporting

- The Committee receives annual reports of climate-related metrics and progress against targets in respect of the assets held in the Fund. The Committee, through delegation to Officers, may use the information to engage with the investment managers.
- The Fund receives voting and engagement activity information on a quarterly basis and reports on an annual basis within the annual report and accounts and its annual Stewardship Code submission.
- The Fund has delegated all voting rights to the WPP, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers on financially material ESG issues.
- Robeco provide the eight Constituent Authorities within the WPP voting and engagement information on a quarterly basis. In addition, the WPP Responsible Investment sub-group discuss engagement with Robeco at regular meetings.
- In addition, Officers and JGC also receive Responsible Investment & Climate Risk Reports from Hymans Robertson, who advise the WPP.

Manager Selection and Monitoring

- The Committee, with advice from Mercer, and the Officers, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when appointing a new manager and in the ongoing review of a manager's appointment.
- Mercer assesses investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level.
- WPP are now able to take on more of the Fund's commitments to Private Markets. However, the Fund still requires recommendations from Mercer in the allocation of Local/ Impact Private Market funds as this asset class is not currently covered by the WPP. The Fund has mandated that priority is given to impact and sustainable funds and/ or those with a high ESG rating (ESG1 and ESG2) assigned by the Mercer following the detailed due diligence process.
- The Fund, in collaboration with Mercer, has developed a monitoring template, which it will use to monitor all of its Private Market managers going forward. The template specially picks up information from managers on ESG and impact, including but not limited to:
    - Does the manager have a Sustainable Investment Policy?
    - Is the manager doing anything to contribute to net zero or a specified carbon emissions reduction target?
    - Impact/ ESG considerations that will help with TCFD and future Taskforce for Nature Related Financial Disclosures (TNFD) reporting

The Fund continued to utilise the template during 2023 for monitoring its Private Market managers and will continue to review and evolve the template as necessary.

Active Stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Stewardship activities can help hold companies to account and ensure they are taking a meaningful approach in this area.

The Financial Reporting Council (FRC) first published the UK Stewardship Code in 2010, and revised it in 2012. In October 2019, the FRC issued an updated and increasingly demanding version, the UK Stewardship Code 2020. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire too, and comprises a set of 12 ”apply and explain” principles to report on for the submission.

In practice the Fund continues to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund is committed to reviewing its compliance against the latest code. The Fund was successful in its first submission in 2022 and has re-submitted for the year ending 31 March 2023.

The Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

Climate Risks and Opportunities

The effects of climate change will be felt over many decades. The Fund has considered two types of climate-related risks and opportunities:

Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products. There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses, although the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in infrastructure and real estate assets that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

Section 7
Metrics and Targets

Metrics and targets used to assess and manage relevant climate change-related risks and opportunities, in line with strategy and risk management

Key Metrics

The report includes three climate-related metrics. These metrics help the Committee and wider reader understand the climate-related risk exposures and opportunities in the Fund's investment portfolios and identify areas for further risk management, including investment manager portfolio monitoring, and voting and engagement activity and priorities. The metrics in this report are:

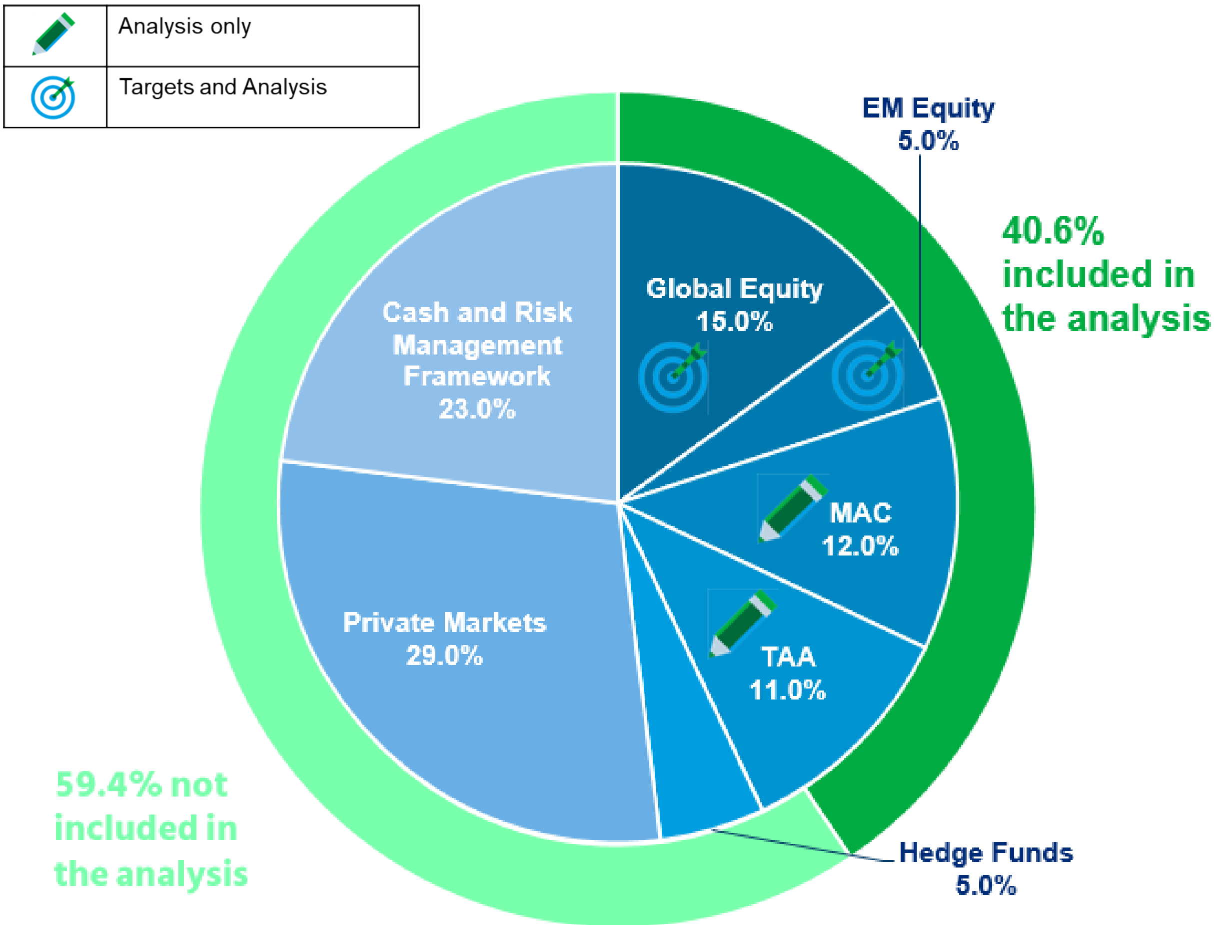
1. **Absolute emissions metric**
2. **Emissions intensity metric: Carbon Footprint**
3. **Emissions intensity metric: Weighted Average Carbon Intensity (WACI)**

The Fund has agreed to use carbon footprinting metric as the primary metric for monitoring decarbonisation progress, whilst also monitoring progress against absolute emissions and weighted average carbon intensity.

The metrics presented in this report are as at 31 March 2023 and are based on the strategic asset allocation at that date. The Fund adopted a baseline date of 31 March 2021, from which all reduction targets are monitored against annually, unless otherwise stated.

Please see appendix for an overview and description of each metric identified above and analysed for the Fund.

Fund strategic asset allocation as at 31 March 2023



Carbon metrics have been provided on c.40% of the Fund's Strategic Asset Allocation (SAA), consistent with the previous year's analysis. The analysis was carried out on the Fund's global equities, MAC and TAA holdings. Further asset classes will be incorporated in future analysis as and when accurate and robust data becomes available. The Fund is taking into account the practicalities of data availability and sourcing metrics for its private market holdings and the governance costs associated with potentially setting targets for these asset classes, due to the high number of underlying funds.

As the Tactical Asset Allocation (TAA) portion of the SAA is tactical and short term by its very nature, this portion of the portfolio was excluded from the baseline analysis and assessment of progress versus listed equities portfolio targets. Whilst the majority of the TAA portfolio was analysed from a metrics perspective, some of the underlying components were not able to be analysed owing to data availability.

In 2022, the Fund undertook an exercise to gather carbon metrics data on the property holdings for the private market mandate. The exercise uncovered significant challenges, as the data received lacked comprehensiveness and accuracy, or in some cases, the managers were simply unable to provide the relevant information. It is to be expected that as the property managers become more attuned to the reporting requirements for carbon data, the availability and quality of the information should improve. It is important to note though that the process of undertaking such requests can prove to carry an additional governance burden on the Fund, which can be both time-consuming and costly.

Over time as consensus around methodology for less conventional asset classes grows, the carbon metric analysis will cover a greater proportion of the Fund.

The Fund recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Committee with its Officers aim to work with the investment advisor and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available.

Key highlights to note over the period

The Fund has already taken actions to support the targets and initiatives that the Fund has previously agreed, including:

- Helping develop a sustainable equity mandate with the WPP, and since allocating to this mandate;
- Introducing more sustainable / ESG focused funds, where possible, into the Tactical Asset Allocation Portfolio when implementing new positions;
- Implementing a fossil fuel Exclusions Policy in relation to its listed equity holdings (post March 2023), full details of this policy are provided within Appendix B;
- Engaging with managers on matters pertaining to ESG within private markets, including looking at ways to improve climate metric data capture;
- Supporting investments with strong sustainability/ impact focus by allocating 6% of the total portfolio to local/ impact focused investments within private markets;
- Endeavouring to make sustainable-focused allocations within other private market asset classes (Private Equity, Private Debt, Infrastructure and Real Estate) where possible;
- Substantially increasing commitments to impact focused portfolios within Private Markets, including investments with a focus on clean energy and energy transition. Including commitments such as :
    - Capital Dynamics –Clean Energy Wales (£50m)
    - Copenhagen Infrastructure –Energy Transition I (£17m)
    - Activate Partners –Activate Capital II (£11m)
    - Sandbrook Capital –Climate Infrastructure Fund I (£17m)

Emissions Analysis – Physical Listed Equities

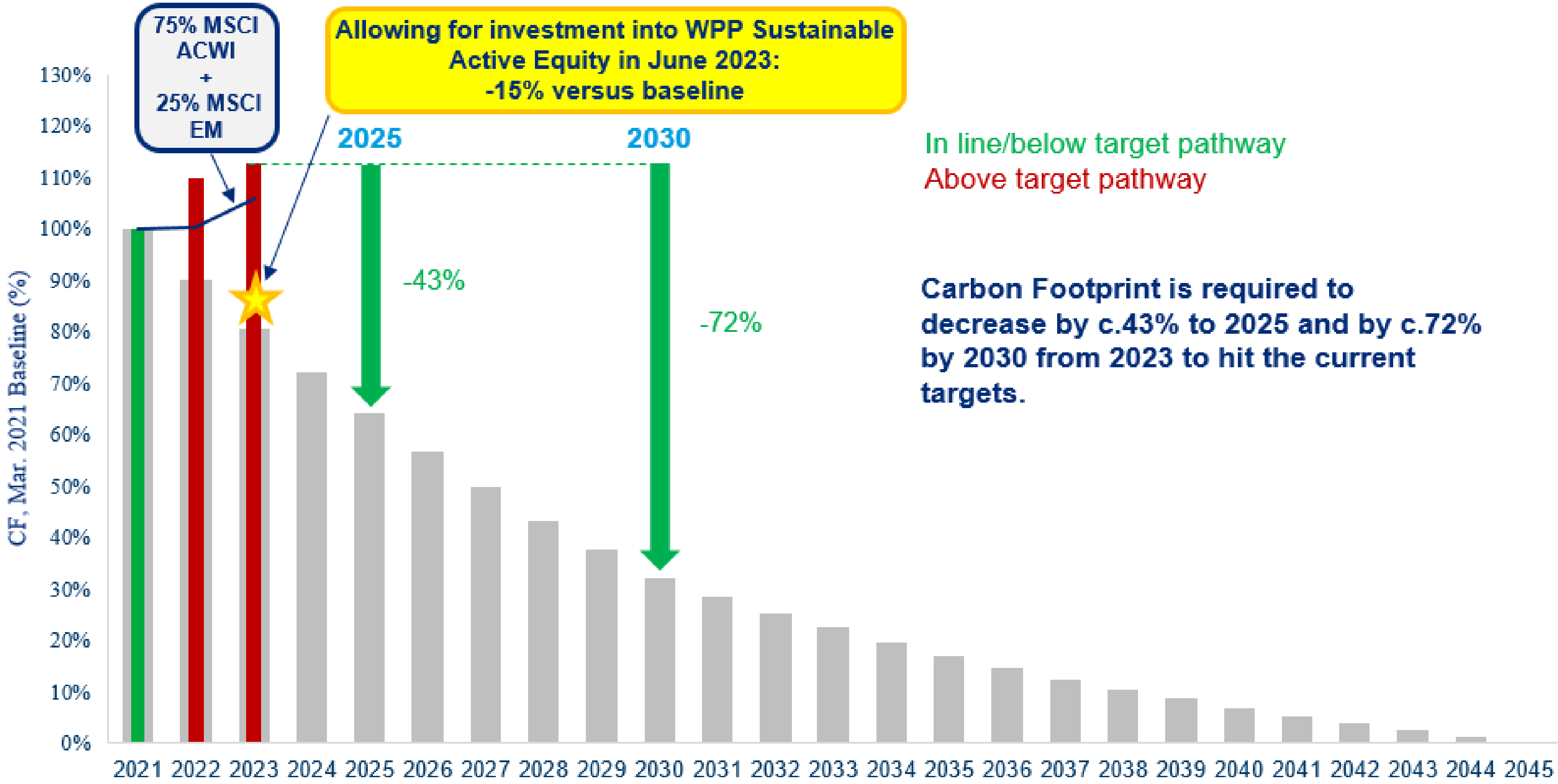
It is important that the Committee understands the position of the Fund, in terms of its ongoing greenhouse gas emissions. In order to understand this the Fund monitors the following metrics: (1) absolute emissions, (2) carbon footprint, and (3) weighted average carbon intensity ("WACI").

- Absolute Emissions, is the total equivalent amount of CO2 that the Fund's invested asset release into the atmosphere every year. Absolute emissions are significantly influenced by the level of assets invested, the more assets the higher the absolute emissions.
- Carbon Footprint takes the total absolute carbon emissions of the portfolio and divides it by the current value of the portfolio to measure the tonnes of CO2 equivalent per $million invested. This allows comparison between Funds of different sizes, as well as a fair comparison through time as the Fund's own assets will fluctuate year on year.

- WACI takes each underlying company's absolute emissions and divides it by the company's revenue (tonnes of CO2 equivalent per $million revenue). This provides the Committee with an indication of whether the underlying companies are decarbonising over time and shows how sensitive the underlying investments are to climate transition risk.

Decarbonisation Path – 2021 Baseline (Scope 1 and 2)

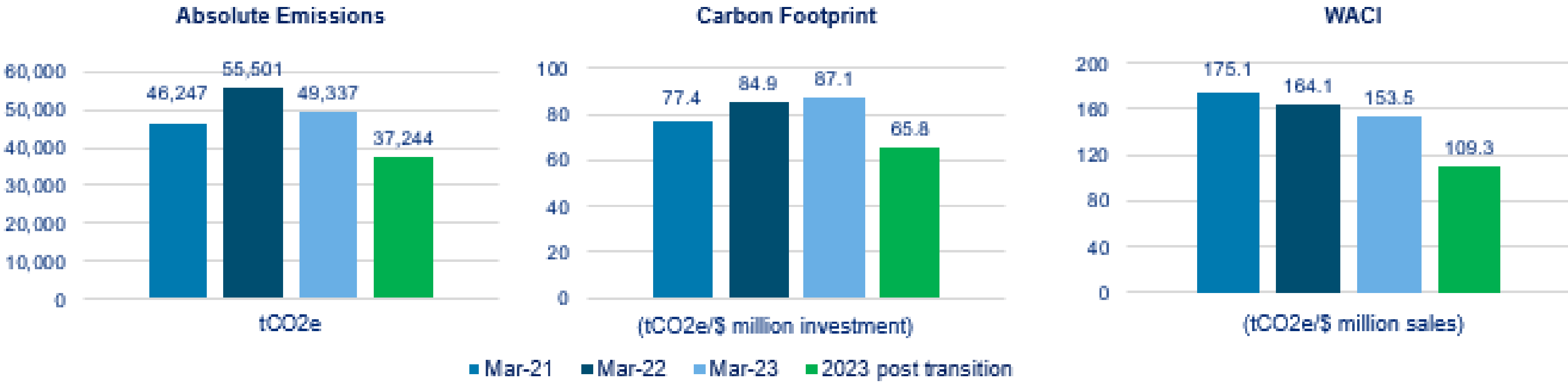
Physical Listed Equities – Carbon Footprint



Source: Mercer Limited.

Summary of Emissions Analysis – Physical Listed Equities

Post Transition from WPP Global Opportunities to Sustainable Active Equity



Source: MSCI ESG Research LLC (reproduced by permission). Mercer Limited.

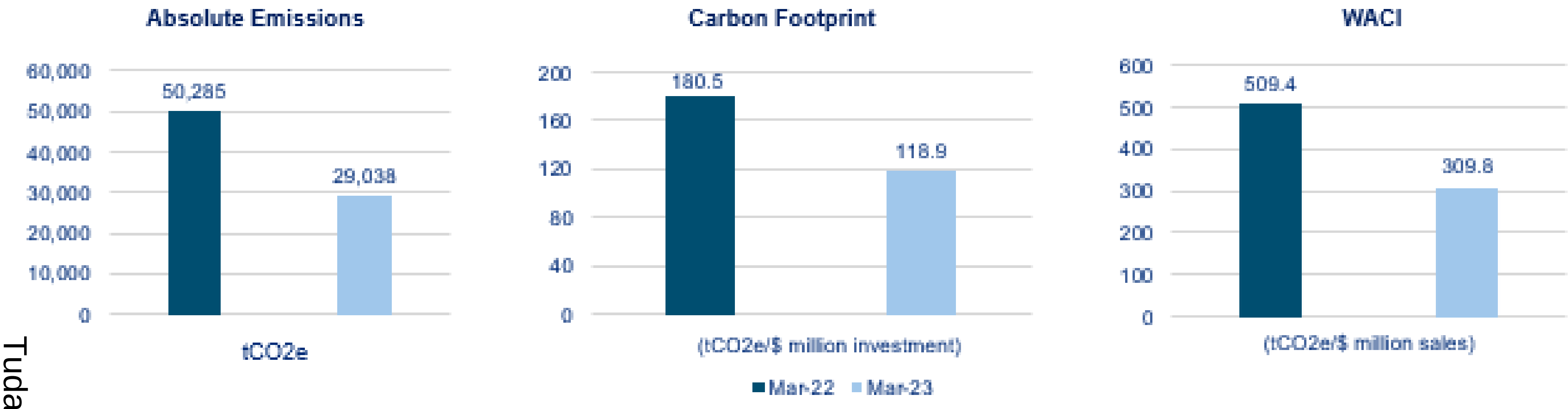
The **absolute emissions of the Fund's listed equity portfolio has decreased by 11.1%** over the one year period from 31 March 2022 to 31 March 2023. The **Carbon Footprint increased by 2.7%** over the same time period, whilst the **Weighted Average Carbon Intensity (WACI) decreased over the same period by 6.4%.**

Further analysis was carried out post 31 March 2023 to show the impact of the Fund's strategic switch from WPP Global Opportunities Fund into the newly developed WPP Sustainable Active Equity Fund, which the Fund helped develop with the WPP.

As a result of the switch, movement from 2022 to 2023 has resulted in a **32.9% reduction in Absolute Emissions, 22.5% reduction in Carbon Footprint and a 33.4% reduction in WACI.**

The figures post transition demonstrate the positive steps the Fund has taken to reduce its overall emissions to reach its net zero target over time. The Committee continues to look to identify appropriate opportunities to make further progress in this area.

Summary of Emissions Analysis – Tactical Asset Allocation (TAA)



Source: MSCI ESG Research LLC (reproduced by permission). Mercer Limited.

The Fund's TAA portfolio **decreased by 42.3% on an Absolute Emissions basis** from 2022 to 2023. **Carbon Footprint decreased by 34.1%** whilst the **Weighted Average Carbon Intensity (WACI) decreased by 39.2%.**

Targets

Net Zero Commitment

The Committee has agreed a target for the investments in the Clwyd Pension Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. Underlying this headline commitment, the plan also has a number of other key targets as outlined below:

a) for the Fund as a whole:

- to have at least 30% of the Fund’s assets allocated to sustainable investments by 2030.
- to expand the measurement of the carbon emissions of the Fund’s investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.

b) within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030.
- to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.
- to engage with the biggest polluters within the Fund’s Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve:
    - by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.
    - by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

The Fund will monitor and report against these targets at least annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with national and international developments and initiatives.

Suitability of additional metrics

The Committee have undertaken education on the proposed climate change metrics forming part of the upcoming regulations. They will assess the suitability of these metrics and incorporate them into next year’s report.

Actions to achieve targets going forward

The Fund has now invested into the WPP Sustainable Active Equity Fund, and is targeting a total commitment of 15% of the total Fund.

The Fund remains firmly committed to allocation to local/ impact funds within private markets and will continue to do so and report on progress with the support of "The Good Economy".

Additionally, the Fund will focus its attentions over the next 12 to 18 months on:

- Investment Strategy Review – a review of the Fund's investment strategy will be carried out which, considering will consider the Fund's climate ambitions
- Emerging Market Equity –engage with the WPP on the feasibility of investing in Emerging Market equities in a more sustainable way.
- Multi-Asset Credit – engaging with WPP with respect to the underlying managers of the mandates to see what commitments have made in respect of decarbonisation.
- Tactical Asset Allocation (TAA) – following the updated terms of reference, continue to allocate to sustainable versions/ ESG titled funds when implementing tactical positions where possible.
- Private Markets – this area is more challenging given the scale and data quality/ availability. Continue to use findings from existing engagements and look to request further data in line with frameworks such as IIGCC net zero framework for Private Equity and Infrastructure.
- Synthetic Equity –switch to Paris Aligned equity benchmark exposure within the Synthetic equity allocations within the Cash and Risk Management Framework
- Fossil Fuel exposure – the Fund will engage with WPP on its newly established exclusion policy and monitor holdings within WPP mandates that fail the Fund's exclusion policy criteria.
- Consider connections to biodiversity / natural capital.

Appendix A
Climate Scenario Modelling Assumptions

	Failed transition	Rapid transition	Orderly transition
Summary	**The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.**	**Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.**	**Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.**
Temperature change	Average temperature increase of >4°C by 2100.	Average temperature increase stabilises at 1.5°C around 2050.	This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070.
Cumulative emissions	5,127 GtCO2 (2020-2100)	416 GtCO2 (2020-2100)	The additional damage under this scenario could be associated with further human emissions (810GtCO2) or greater impacts from feedback loops and tipping points.
Key policy & assumptions	Existing policy regimes are continued with the same level of ambition.	An ambitious policy regime is pursued to encourage greater decarbonization of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. This is earlier and more effective under a Rapid Transition than the Orderly Transition, which allows for less investment in energy efficiency and bioenergy with carbon capture and storage.	
Financial climate modelling	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage, beyond 1.5°C, impacts asset performance on a year-by-year basis with no advance pricing in.
Physical risks considered	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		

Source: Mercer Limited.

Limitations associated with climate scenario modelling

Climate scenario modelling is a complex process. The Committee is aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Appendix B
Exclusions Policy

The Fund has developed an exclusions policy assessment framework and will be looking to develop a plan to implement the following exclusions:

The policy is to exclude companies which breach the following thresholds	**Minimum Objective**	**Fund's Ambition**
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

The above policy applies to the physical listed equity assets initially. This is because this part of the portfolio has the most comprehensive and accurate data on which the policy can be analysed and monitored in a robust and cost efficient way. The ambition of the Fund is to consider the application of the exclusions policy to all parts of the portfolio over time, based on the availability of robust data and implementation practicalities.

The Fund is seeking to implement the above "Fund's Ambition" exclusion policy. It is recognised that, at present, there are limited implementation options for this policy. As a result, the Fund has established a "Minimum Objective" exclusion policy, which is aligned with the Paris Aligned Benchmark and as such believes is practically more implementable.

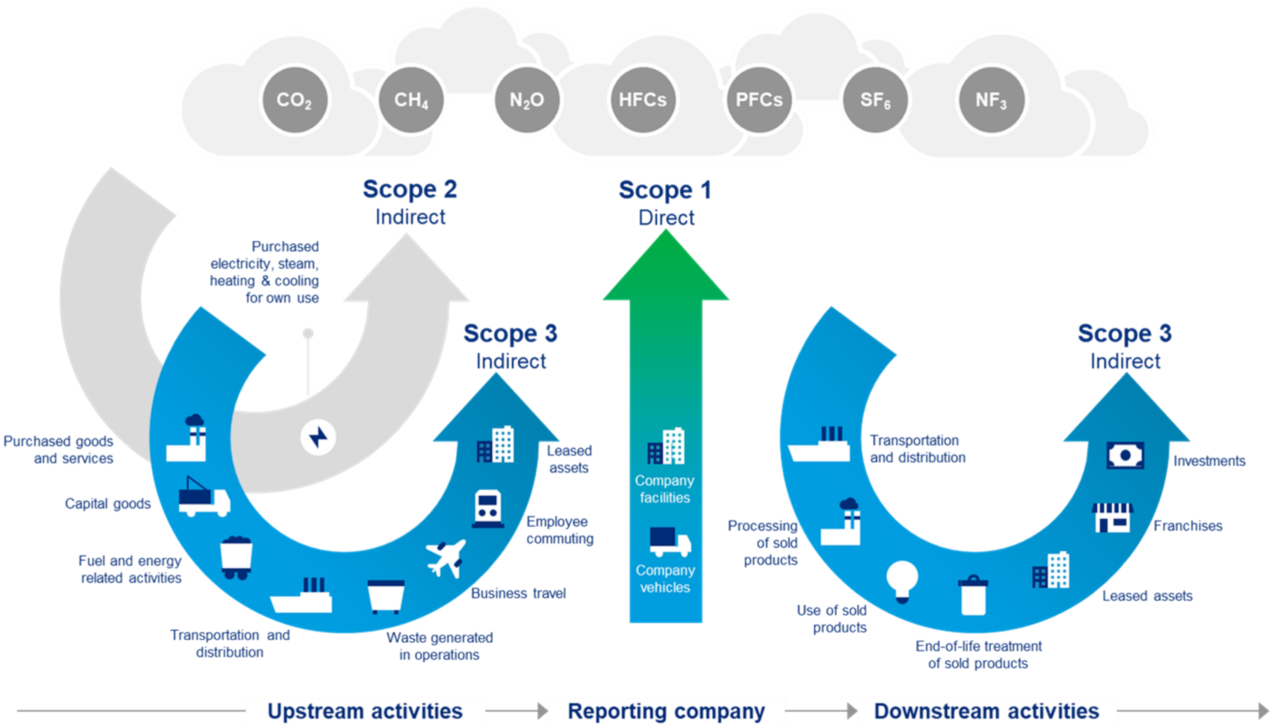
The Fund recognises that in order to implement the exclusions policy it will need to work with the WPP. Given the pooled fund nature of the investments, the Fund will take a best efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion policy. This will be monitored on an annual basis with an explanation sought, if companies are held in breach of the exclusions criteria.

Source: Clwyd Pension Fund Investment Strategy Statement.

Appendix C
Overview of Climate Metrics

Absolute Emissions

This metric represents the underlying investee company's or issuer's reported or estimated greenhouse gas emissions, where available. It includes various scopes of emissions, which are summarised in the following diagram.



Source: MSCI ESG Research LLC. Reproduced by permission.

There are seven recognised greenhouse gases, as defined by the GHG Protocol. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO2e).

For the purpose of this report, only scope 1 and 2 emissions have been reported, although in the annual analysis reviewed by Committee Scope 3 data is considered. The absolute emission metric is a proxy for the share of GHG emissions that are 'owned' by the Fund through investing in the underlying companies and issuers, including countries (referred to as 'sovereign exposure' through government debt).

Emissions intensity metric: Carbon Footprint and Weighted Average Carbon Intensity (WACI)

Carbon Footprint takes the total absolute carbon emissions of the portfolio and divides it by the current value of the portfolio to measure the tonnes of CO2 equivalent per $million invested. This allows comparison between Funds of different sizes, as well as a fair comparison through time as the Fund's own assets will fluctuate year on year.

Weighted Average Carbon Intensity takes each underlying company's absolute emissions and divides it by the company's revenue (tonnes of CO_2 equivalent per $million revenue). This provides the Committee with an indication of whether the underlying companies are decarbonising over time and shows how sensitive the underlying investments are to climate transition risk.

Appendix D
Climate Metric Analysis Approach

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI using stock list data provided by the investment managers. Other data has been requested directly from the asset managers.

Proxy data

For some asset classes, data coverage is too low (or no data is available) to be able to take a pro rata approach. Use of proxy data (data of other asset classes or funds that broadly represent a given fund) can help provide climate-related data where coverage for an asset class/fund is limited.

Note no proxy data has been used in this analysis.

Scope of emissions

Scope 1, 2 and 3 emissions data has been included in this report. The data coverage for Scope 3 emissions data is improving but the assessment of an invested company's carbon footprint could be considered an understatement. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.

Appendix E
Climate Change Glossary

Administering Authority or Scheme Manager: Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

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

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

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

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

Clwyd Pension Fund (the "Fund"): The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.

Clwyd Pension Fund Committee (the "Committee"): The Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.

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

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

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

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

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

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

Local Authority Pension Form Forum (LAPFF): Is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners.

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

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

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

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

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

Physical risks: Dangers or perils related to the physical or natural environment that pose a threat to physical assets e.g. buildings, equipment and people. Mercer's scenario analysis grouped these into the impact of natural catastrophes (for instance sea level rise, flooding, wildfires, and hurricanes) and resource availability (particularly water). See also Transition risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

Wales Pension Partnership (WPP): A collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.

Important Notices

Important notices from data providers

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Cronfa Bensiynau

CLWYD

Pension Fund

mss.clwydpensionfund.org.uk

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Clwyd Pension Fund

Managing Climate Risk – Highlights for Year Ended 31 March 2023

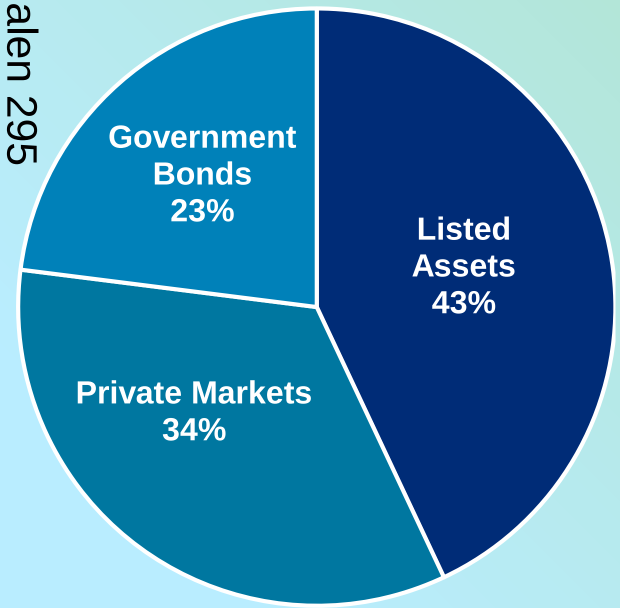
Fund Beliefs

ESG factors, including climate change, can **impact the performance** of the Fund's investments over the medium to long-term.

Taking a broader and longer-term view on ESG factors, including identifying sustainability themes and trends, presents risks and opportunities which require explicit consideration.

Good stewardship can add value and mitigate risks in the long-term.

Strategic Asset Allocation



Total emissions quoted in this summary is based on scope 1 and 2 emissions and covers approximately c.41% of listed assets (the majority of the 43% listed assets) of total Fund assets where reliable greenhouse gas emissions data is available.

***Scope 1: Direct** emissions from company activity (e.g. running gas boilers and vehicles)*

***Scope 2: Indirect** emissions (e.g. electricity purchased for heating and cooling buildings)*

Fund Targets

- **Total Fund – *Target net zero investment portfolio by 2045 or earlier.***
- **Total Fund – *50% or more reduction in greenhouse gas emission by the end of 2030.***
- **Listed Equities only – *reduce greenhouse gas emission by 36% by 2025 and 68% by 2030.***

Ongoing Greenhouse Gas Emissions

The annual greenhouse gas emissions from companies in the Fund's listed asset investments is:

97,878 tons CO_2e

The Fund has since reduced this figure, by moving to a mandate with lower exposure to carbon emissions; **this has reduced ongoing emissions by c.12,000 tons CO2e (c.12%)**

Emissions in the real world

The c.12,000 ton reduction in greenhouse gas emissions, under scopes 1 & 2 is broadly equivalent **to removing 6,400 cars from the road.**

*Based on average car mileage of **7,600** per year and **221**g **CO_2** per mile for a medium sized car.*

Source: [Nimblefins Average CO2 Emissions]

Fossil Fuel Revenue Exposure

The Fund's exclusion policy has defined companies with fossil fuel exposure through revenue thresholds. By moving to a mandate with lower exposure to fossil fuel companies, **the Fund has reduced its investments, managed by WPP, in companies with fossil fuel revenues by c.£14m.** Estimated exposures across WPP funds fell from c.£27m to c.£13m, based on the Fund's strategic asset allocation.

We encourage you to read the Fund's full Climate Change-related Disclosures report available at [add link] which sets out all the assumptions, limitations and important notices in respect of the climate-related data presented in this summary.

Key Actions Taken

Training: Ongoing training and review of skills to ensure the Fund is well equipped with sufficient knowledge of developments around climate change risk and regulatory changes.

Three metrics, covering c.41% of Fund assets, have been chosen to monitor the progress against climate change risks. The level of assets covered is expected to rise over time.

Targets have been set against listed equities and an exclusions policy adopted (see latest Investment Strategy Statement).

Risks and Opportunities: Regular analysis is undertaken to identify climate change related risks and opportunities that should be prioritised in order to help achieve the Fund's targets.

Commitments: Since 31 March 2022, the Fund has committed £95m to private market investments aiming to address and capitalise from a transition to a lower carbon economy. *There is no current method of measuring emissions avoided.*

Future Actions

- Reduce ongoing GHG emissions, to meet agreed targets.
- Reduce and eventually remove fossil fuel company exposure.
- Continue to commit to investments that support the energy transition.
- Increase the analysis coverage of the Fund's investments (i.e. private markets – *subject to data availability and quality).*

Mae'r dudalen hon yn wag yn bwrpasol

Mercer

Clwyd Pension Fund

Analytics for Climate Transition (ACT)

Private & Confidential

November 2023

welcome to brighter

Progress to date

How ACT Analysis has been used to date

2021

Set targets:

- Total Fund 2045 Net Zero Target
- Total Fund decarbonisation target of 50% reduction by 2030, versus 2021 baseline position
- Adopted Listed Equities portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position
- Committed to increasing the total Fund's sustainable/low carbon allocation target to 30% by 2030

2022

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets

Investment Manager decisions

- Helped inform decision to introduce WPP Sustainable Active Equity fund

Stewardship & Engagement

- Identified most strategically important companies to engage with from a climate perspective
- Targeted 70% of companies, as measured by value invested and emissions, in carbon-intensive sectors either aligned/under engagement in Listed Equities.

2023

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets.
- Key development / progress made in switching to WPP Sustainable Active Equity fund in June 2023

Strengthening Targets

- All Listed Equity portfolio in sustainable mandates by 2030

Adoption of Exclusions Policy

- Exclusions policy framework adopted to implement exclusions across coal, oil and gas revenue thresholds.

Next 12-18 Months

Enhance Net Zero Plan

- Monitor suitability of Listed Equities decarbonisation target
- Looking at sustainability options for Emerging Market equities is a key area of interest
- Set and refine granular plans/targets across:
  - Transition alignment
  - Stewardship
  - Sustainable / climate solutions
- Expand net zero approach beyond Listed Equities portfolio to property, infrastructure, private markets. Improvements in data capture.
- Potential connections to biodiversity / natural capital

Support the Responsible Investment strategy and policy approach / provide insight into transition capacity and monitor progress against climate policy

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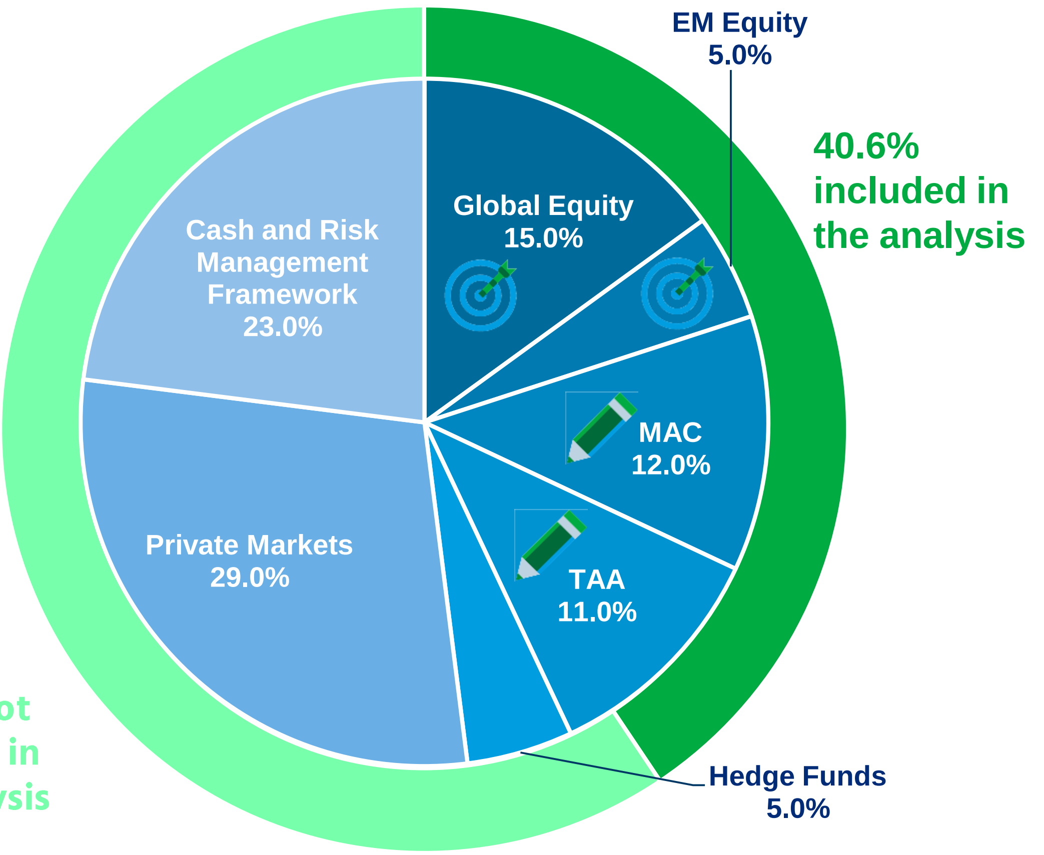
Proportion of holdings analysed

✎	Analysis only
◎	Targets and Analysis

Fund strategic asset allocation as at 31 March 2023



- Carbon metrics have been provided on 40.6% (broadly the same as 2022) of the Fund's Strategic Asset Allocation (SAA).
- Consistent with the previous year's analysis, the baseline consists of the Fund's Global and Emerging Market Equity mandates, with decarbonisation targets for this asset class..
- As the Tactical Asset Allocation portion of the SAA is tactical and short term by its very nature, this portion of the portfolio has been excluded from the **original baseline** analysis (as at 31 March 2021) and is not yet included in target setting. 78% of TAA portfolio (or c.9% of total assets) has been included in this analysis, with the exception the Commodity and the Sterling Liquidity Funds. These have not been analysed owing to data availability in the case of the former, and lack of decision usefulness in respect of the cash fund due to the very short term lending in the portfolio.
- There is an active ongoing exercise to gather carbon metrics data on the property and selected private market holdings. We will discuss this with Officers in the near future.
- Over time as consensus around methodology for non-public market asset classes grows and data becomes available, this analysis, including target setting, is intended to cover a greater proportion of the Fund over time.
- Since 31 March 2023, the Fund's allocation to the WPP Global Opportunities Fund has been replaced in its entirety by the WPP Sustainable Active Equity Fund.

Notes: The data analysed excludes e.g. cash and derivative allocations within the funds analysed. Where there is partial coverage of a portfolio we scale up the Absolute Emissions to estimate coverage for 100% of the mandate. Please note within the Cash and Risk Management Framework there is exposure to synthetic global developed equity.

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Summary: Current Targets and Progress

On Track   Progress Required

Scope	Current Target	Update on targets	Progress to Date
Total Fund	The Fund targets net zero by 2045. Interim target of carbon reduction of 50% by 2030.	Target setting is currently focused on Listed Equities with other asset classes and strategies being incorporated over time based on evolving methodologies, data availability and quality.	
Total Fund	To have at least 30% of the Fund's assets allocated to sustainable investments by 2030.	The Fund has a target allocation of 15% on a total asset basis to Sustainable Mandates in the listed equity portfolio (further work being done to finalise plan to get to this target in 2024). Recent allocation to WPP Sustainable Active Equity Fund will help the Fund move toward its target allocation (c.9% of actual assets as at 30 September 2023). In addition, commitments are already being made to sustainable allocations in private markets, with a 6% allocation to local / impact opportunities.	
Total Fund	Expand net zero target setting to incorporate synthetic equity, multi asset credit, TAA, property, private markets and hedge funds over 2024/25 (data permitting).	Analysis for this year covers the Equity, Synthetic Equity, Multi-Asset Credit and TAA portfolio. Equities have had analysis carried out and targets set. The remaining asset classes noted above are analysis only. The Fund's property managers have been contacted to assess the level of data they can provide versus the best practice Carbon Risk Real Estate Emissions Monitor (CCREEM) framework. Further work is required to set formal targets on these assets. Guidance is now available for private equity and infrastructure, but data availability will be a key determinant of target setting timings. There is an updated ESG/climate/SDG data template being developed to better capture data. Need to consider practicalities and governance costs, of potentially setting targets within private markets given the high number of underlying funds.	

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Summary: Current Targets and Progress

On Track   Progress Required

Scope	Current Target	Update on targets	Progress to Date
Listed Equities	Net zero transition trajectory: listed equity portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position.	• As at 31 March 2023 (primary date of the analysis), the listed equities portfolio was behind the target net zero transition trajectory, due to the increase in carbon footprint over the period under analysis. This increase is principally due to the transition out of the BlackRock World ESG mandate and the increase in Carbon Footprint for the WPP EM mandate* (this is in-line with expectations). Importantly, with the switch into the WPP Sustainable Active Equity Fund in June 2023, the position has improved and now only modestly behind target.	
Listed Equity Portfolio	Target to have all listed equities invested in sustainable mandates by 2030.	• The Fund has now switched all physical global equities into the WPP Sustainable Active Equity Fund following the date of this analysis. Paris Aligned synthetic equities have also been introduced and plans are in place to increase further in 2024. Expect to consider options for Emerging Market equities in 2024, including discussions with WPP.	
Listed Equity Portfolio	Stewardship target: to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve: • by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective. • by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.	• 65% of financed emissions within Listed Equities in key sectors* demonstrate evidence of aligning or being under active engagement. Work with Robeco and WPP to increase this over time.	

*This impact was factored into advice at the time, and it was agreed at the time that this was the best solution for the Fund's liquidity requirements. It was also agreed given the pooling agenda.

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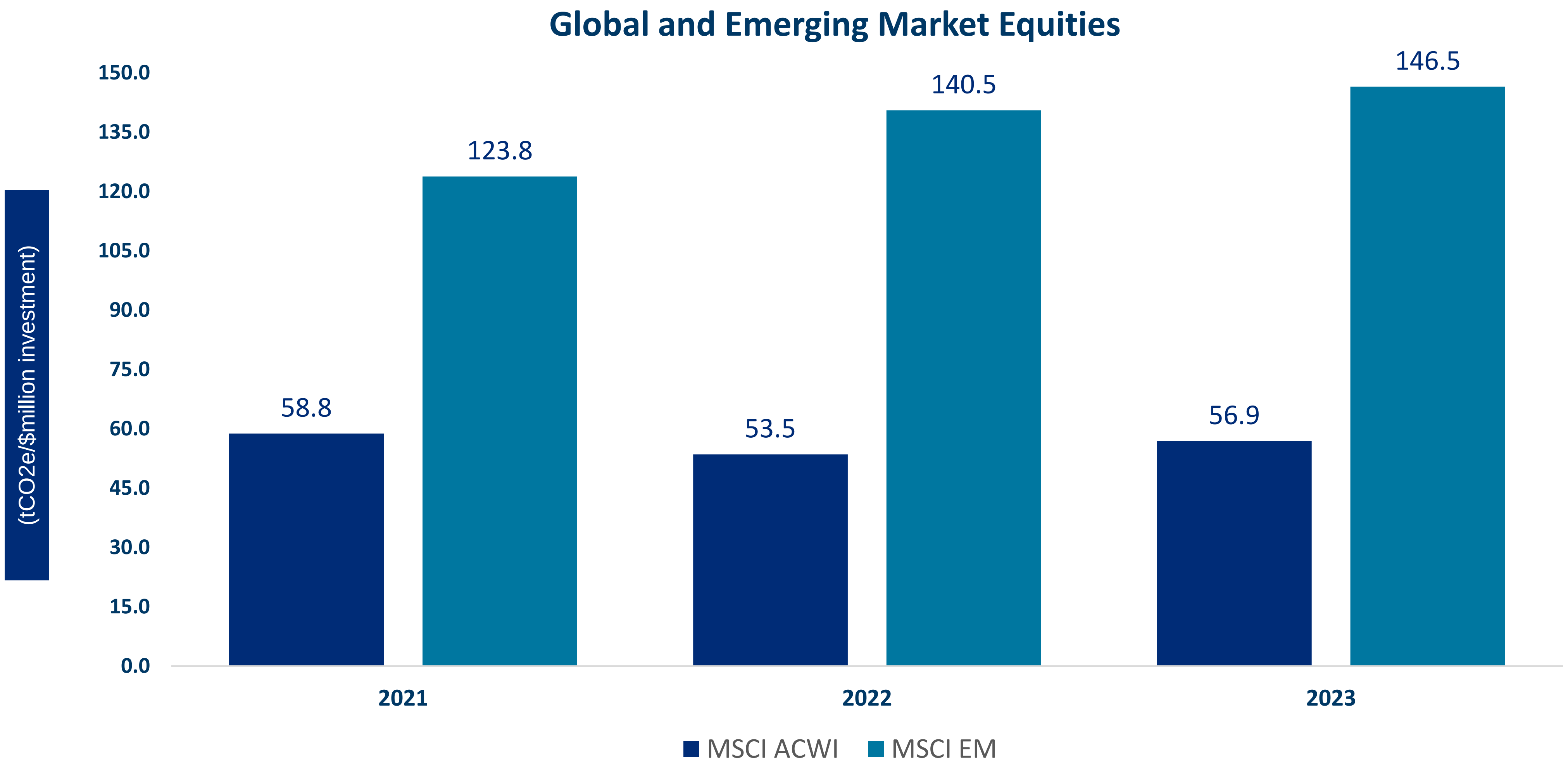
Understanding Market Background



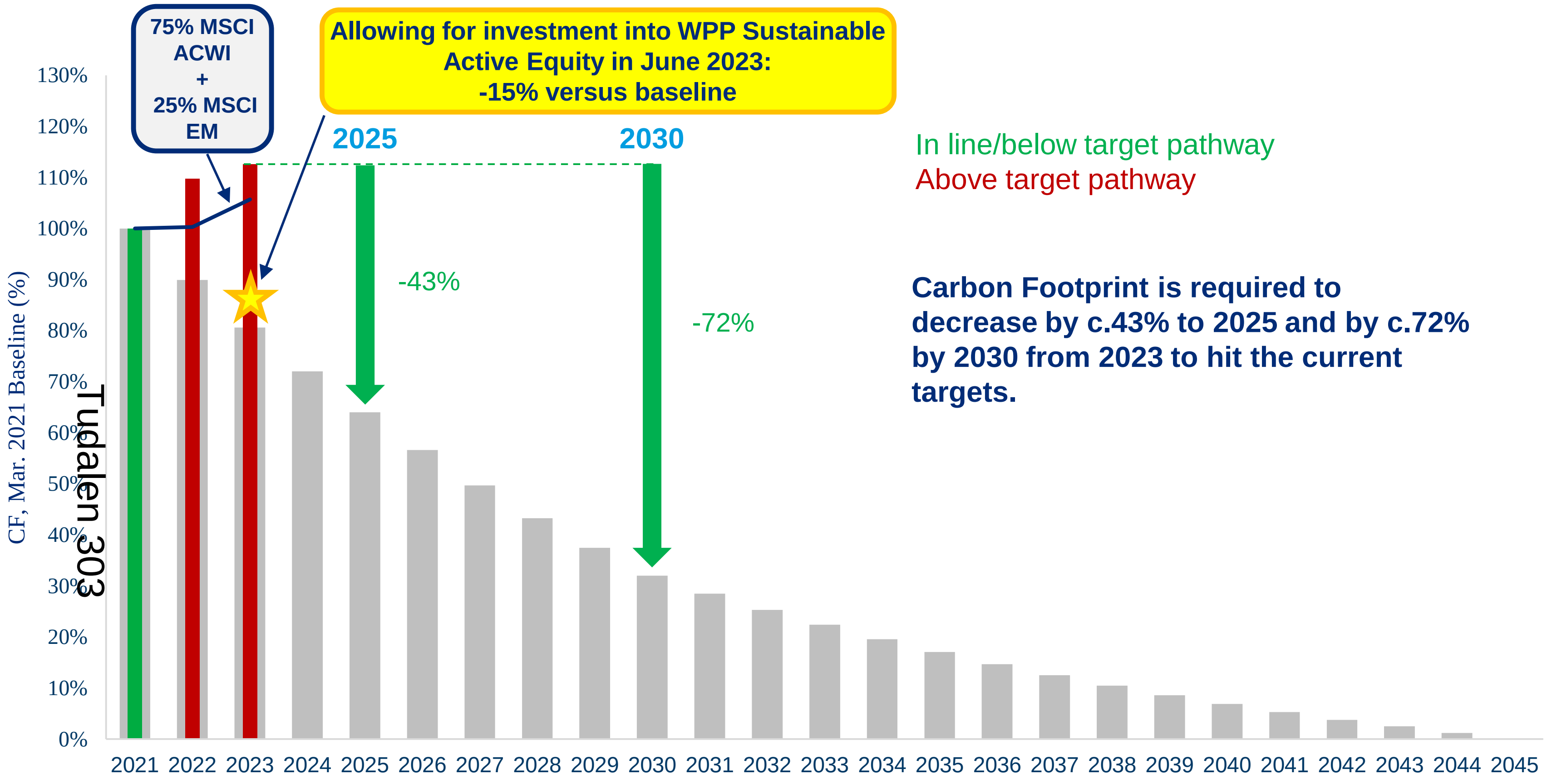
Tudalen 302

Over the year to 31 March 2023, the carbon footprint of the benchmarks increased due to strong relative investment performance of high carbon sectors

MSCI ACWI (+6.4%) : MSCI EM (+4.3%)

Decarbonisation Path – 2021 Baseline (Scope 1 & 2)

Listed Equities (ex. Synthetic Equity & TAA) – Carbon Footprint



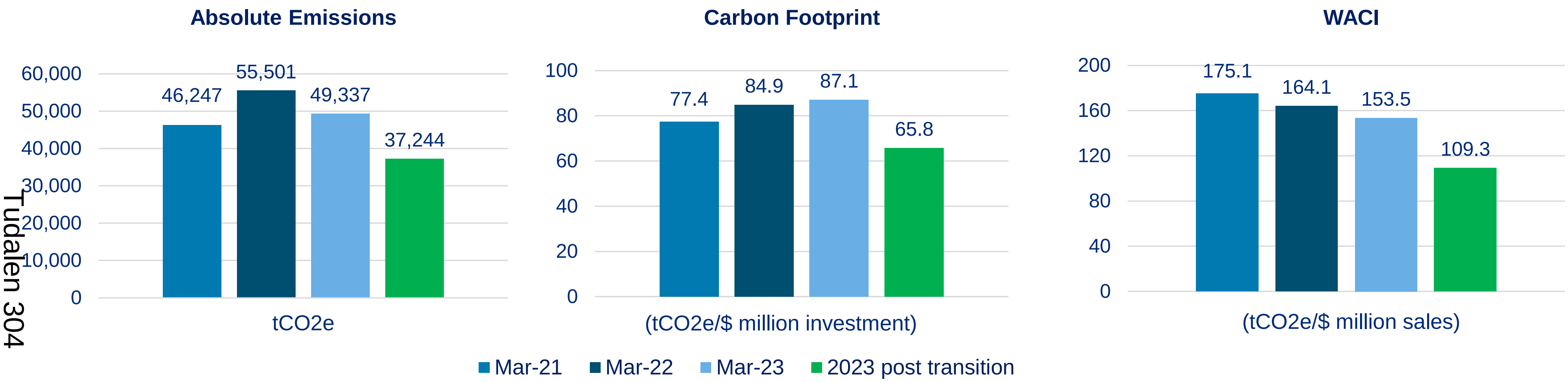
Key takeaways:

- Listed Equities portfolio has **seen an increase in Carbon Footprint** since the baseline year (2021).
- **2022:** carbon footprint increased as a result of pooling Emerging Market equities.
- **2023:** carbon footprint increased by c.2.7%, mostly as a result of the WPP Emerging Market Fund intensity increasing by 16% over the year.
- This is in the context of the wider market seeing carbon footprint increase due to the energy sector contribution.
- Allocation to WPP Sustainable Equity Fund following 31 March 2023 analysis has reduced the carbon footprint of listed equities by an estimated c.24%. This change brings the decarbonisation progress made to being modestly behind target.

Continue to monitor decarbonisation targets next year in light of the level of ambition and wider targets that are being proposed. Need to ensure that transition risks are managed holistically rather than on a narrow emissions-only basis

Transition from WPP Global Opportunities to Sustainable Active Equities

Progress versus baseline – Listed Equities (ex. Synthetic Equity & TAA)



Listed Equities (carbon metrics pre and post transition)			
Transition Basis	Absolute Emissions	Carbon Footprint	WACI
	2022 to 2023	2022 to 2023	2022 to 2023
Pre Transition	-11.1%	+2.7%	-6.4%
Post Transition	-32.9%	-22.5%	-33.4%

Notes: Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up the Absolute Emissions to estimate coverage for 100% of the mandate .

Investment was made into the WPP Sustainable Active Equity Fund in June 2023

Engagement Targets (Illustrative) – Physical Equity Portfolio

Top 10 Contributors to Carbon Footprint

Company Number	Sector	Country	Weight within Equity portfolio	Absolute Value of Investment[1]	Cont. to Carbon Footprint (Scope 1,2)[2]	Transition category	Emissions intensity (Carbon Footprint)	SBTi target in place?	TPI Management Quality Score	TPI Carbon Performance[3]	CA+100	Mandates held in
1	Materials	China	0.28%	£1.3m	11.9%	***Light Grey***	3,608	No	-	-	No	WPP EM / WPP Global Opportunities
2	Materials	China	0.09%	£0.4m	6.1%	***Dark Grey***	5,569	No	1	No or unsuitable disclosure	Yes	WPP EM / WPP Global Opportunities
3	Materials	Japan	0.12%	£0.5m	5.4%	***Grey / In-Between***	3,988	No	3	1.5 Degrees	No	WPP Global Opportunities
4	Industrials	Hong Kong	0.26%	£1.2m	4.2%	***Grey / In-between***	1,372	No	-	-	No	WPP EM / WPP Global Opportunities
5	Materials	Republic of Korea	0.13%	£0.6m	3.2%	***Grey / In-between***	2,143	No	4	1.5 Degrees	Yes	WPP EM / WPP Global Opportunities
6	Energy	Brazil	0.35%	£1.6m	2.3%	***Light Grey***	542	No	4	Not Aligned	Yes	WPP EM / WPP Global Opportunities
7	Materials	Hong Kong	0.12%	£0.6m	2.1%	***Dark Grey***	1,449	No	3	Not Aligned	No	WPP EM / WPP Global Opportunities
8	Materials	Argentina	0.01%	£0.04m	1.8%	***Dark Grey***	18,001	No	-	-	No	WPP EM
9	Information Technology	China	0.18%	£0.8m	1.8%	***In-Between***	821	No	-	-	No	WPP EM / WPP Global Opportunities
10	Materials	India	0.06%	£0.3m	1.8%	***Light Grey***	2,339	Yes	3	National Pledges	Yes	WPP EM / WPP Global Opportunities
Total			**1.61%**	**£7.4m (c. 0.3% Total Fund)**	**40.4%**							

Implementing targets with regards to the % of emissions from high emitting sectors under engagement or aligning is a next step. Suggest analysis is updated to allow for switch to Sustainable Active Equity

Note: Total may not sum due to rounding.[1]The total value of investment in equity being analysed is c. £460m as at 31 March 2023. [2]Figures are shown as a percentage of Equity. These figures are not scaled and reflect data coverage. [3]Long-term alignment in 2050 , sourced from TPI https://www.transitionpathwayinitiative.org/

Exclusion Policy – Thresholds Recap

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

Fossil Fuels

Revenue Exposure – Listed Equities

Minimum Objective
In line with target
Outside of target

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	WPP Emerging Markets as at 31 March 2023	WPP Global Opportunities as at 31 March 2023	WPP Sustainable Active Equity as at 31 July 2023
SAA Weight	**-**	**5%**	**15%**	
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	**1%**	1.1% (i.e. 1.1% of the value of the mandate is invested in companies that exceed the objective).	1.1%	0.0%
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	**10%**	3.2%	3.7%	1.1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	**50%**	1.1%	0.5%	0.0%

Tudalen 307

WPP Sustainable Active Equity Fund has an improved position vs WPP Global Opportunities Fund

Fund Commitments

Current and proposed commitments

On Track

Progress Required

Scope	Current Target	Progress	Progress to date

Total Fund	• Allocating 30% of the Fund to sustainable investments by 2030	• Supports overall objective of helping the climate transition and sustainability ambitions of the Fund.
		• The Fund has made allocations to the WPP Sustainable Active Equity Fund. The Fund has also made investments in and commitments to renewable infrastructure and impact investments.
		• As at 30 September 2023, the Fund has a strategic allocation of 21% to sustainable investments (sustainable listed equity and local/impact allocations). The Fund's actual position within these mandates was 13.3% at this date. As the Fund continues to increase its allocation to the new WPP Sustainable Active Equity Fund, this weight will move further towards the strategic target. In addition, the sustainable private market allocations will increase further as managers drawdown capital for existing allocations within private market impact / local mandates.
		• Within the Fund's Private Market assets, there are also examples of assets with sustainable solution exposure. Further work would need to be undertaken to map the overall allocations, but we have provided examples below:
		  • Capital Dynamics – Clean Energy Wales (£50m)
		  • Copenhagen Infrastructure – Energy Transition I (£17m)
		  • Activate Partners – Activate Capital II (£11m)
		  • Sandbrook Capital – Climate Infrastructure Fund I (£17m)	

Listed Equities	• Target all of the Listed Equity portfolio being invested in sustainable mandates by 2030	• To date the Fund has allocated all of its physical listed equities to the WPP Sustainable Active Equity Fund. • The remaining 5% invested in the WPP EM Fund is not in a dedicated sustainable mandate. The Fund should consider requesting WPP to consider viability for a sustainable version of the EM fund.	

Sustainable Emerging Market Equity Fund is a key area of interest

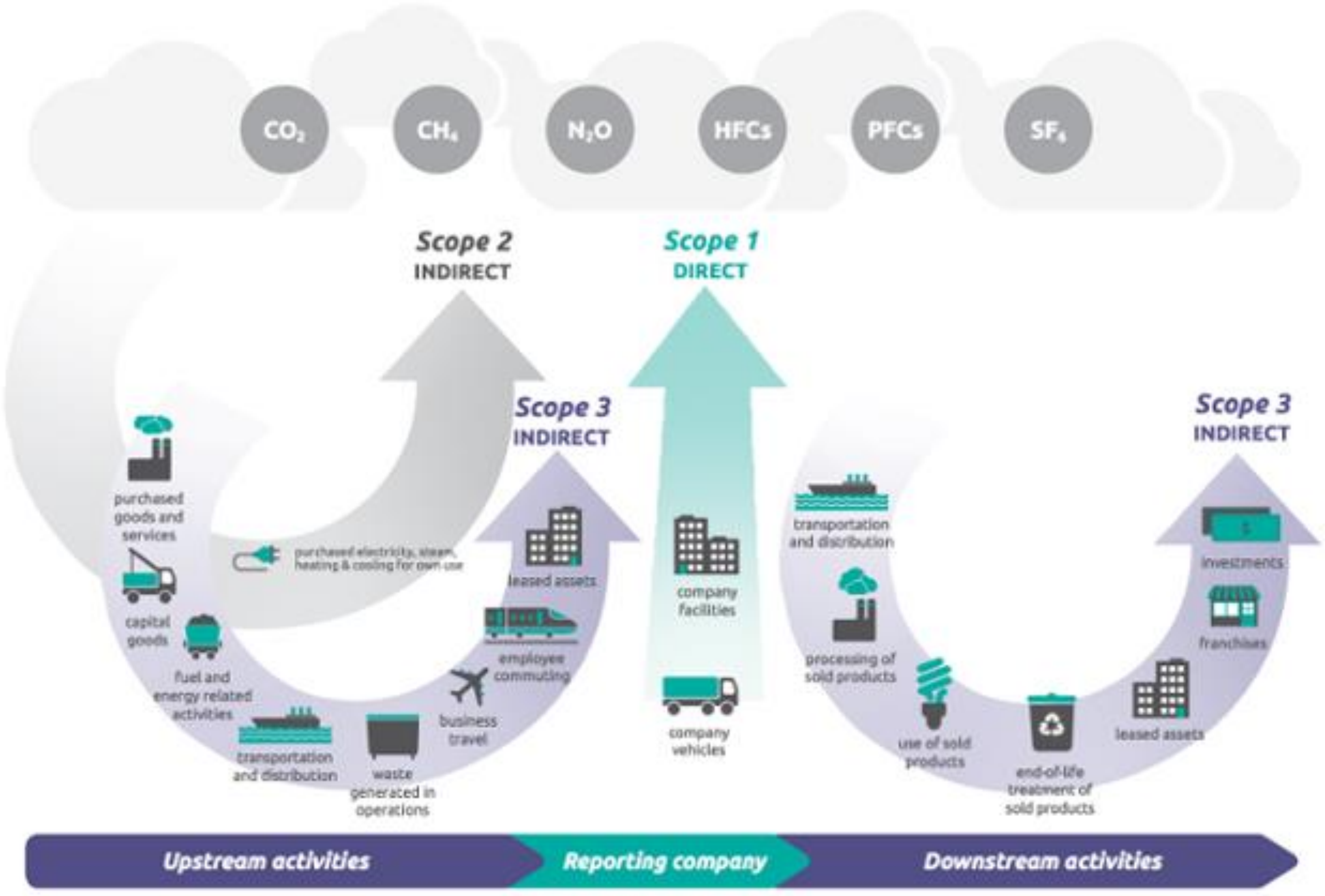
Enhancements & Next Steps

Item	Next steps
Fund's ambition	**Decarbonisation:** Listed equity targets should be kept under review and in light of the wider set of targets proposed this year and the need to take a holistic approach to a whole economy transition.
Listed equity targets	**Stewardship:** Use information on financed emissions in material sectors to inform discussions with WPP and Russell and align approaches and meet targets. **Listed equity targets:** Continue to develop **alignment** and **solutions targets.** Understand WPP and Russell's thinking in these areas, particularly in light of ongoing IIGCC work in this area.
TAA	The TAA guidelines have been reviewed to embed sustainable investment considerations more formally into the mandate. The options on Mobius are being reviewed and where available, allocations will be switched to more **ESG focused** underlying funds. There will need to be a careful balance between the short term tactical views and expressing these through funds that may have different underlying characteristics.
MAC	Use the findings from this analysis as a starting point to discuss setting **net zero targets** on the MAC portfolio with WPP.
Private markets and Infrastructure	**Target setting in private markets:** Target setting **remains challenging** based on current data. Use findings from the updated ESG/climate/SDG data template to continue to **engage with managers**. **Start requesting data in line with IIGCC net zero frameworks for Private Equity and Infrastructure, and reporting on data** where it is available.
Real Estate	**Further engagement and prioritisation** will be needed on property, given the limited responses received to date.
Fossil Fuel	The Fund will **engage with WPP on its exclusion policy** and monitor holdings within WPP mandates that that fail the Fund's exclusion criteria.

Appendix

Emissions Data

Understanding the Scopes



Climate Metrics

Listed assets (Equities and Corporate Bonds)		
Emissions Metrics	**Overview**	**Description**
Absolute GHG emissions	Total greenhouse gas (GHG) emissions: metric tons of CO2 and equivalents (tCO2e)	Calculates an investor's share of the total emissions for each company/holding. It seeks to answer what emissions the investor is responsible for.
Carbon footprint	tCO2e / $million invested	Total GHG Emissions figure normalised to take account of the size of the investment made. It seeks to answer how carbon intensive the portfolio is.
Weighted Average Carbon Intensity (WACI)	tCO2e / $million revenue	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by revenue. It seeks to answer how carbon intensive the companies in the portfolio are.
Implied Temperature Rise	Expressed as ºC	Prediction of temperature rise scenario over the rest of the century, given a company's emissions, commitments, and momentum.
Non-Emissions Metrics	**Overview**	**Description**
% of portfolio with SBTi targets	Alignment metric	A measure of how many companies in a portfolio have submitted climate transition plans that have been approved by the Science Based Targets Initiative (SBTi). There is more detail on SBTi in the appendix.
Data Quality	Non-emissions metric	Classifies each mandate's company/holding data as one of the following three categories: Reported, Estimated, and Not Reported. A fourth category accounts for the remainder of the fund that is not included in the asset class being analysed. There is more detail on data quality in the appendix.
Sovereign Bonds		
Emissions Metrics	**Overview**	**Description**
Sovereign PCAF Methodology	Metric tons of CO2 and equivalents (tCO2e) & tCO2e/$million PPP-Adjusted GDP	**Absolute emissions** are calculated as follows: Market Value of exposure / PPP-Adjusted GDP * Sovereign Production Emissions. **Intensity numbers** are calculated as follows: Country Production Emissions / PPP-Adjusted GDP ($Million). Data for Production Emissions (GHG) for 2021 sourced from EDGARv7.0 website, Crippa et al. (2021, 2022). Data for PPP-Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank.

Additional Fossil Fuel Metrics

Listed assets (Equities and Corporate Bonds)		
Emissions Metrics	**Overview**	**Description**
At least 1% revenue from Coal	Expressed as percentage	This factor identifies companies with revenue from exploration, mining, extraction or distribution of hard coal and lignite totaling at least 1% or more of annual revenues.
At least 10% revenue from Oil		This factor identifies companies with revenue from exploration, extraction, distribution and refining of oil fuels totaling at least 10% or more of annual revenues.
At least 50% revenue from Gas		This factor identifies companies with revenue from exploration, extraction, manufacturing or distribution of gaseous fuels totaling at least 50% of annual revenue.
At least 1% revenue from Oil and 1% Gas related activities		This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

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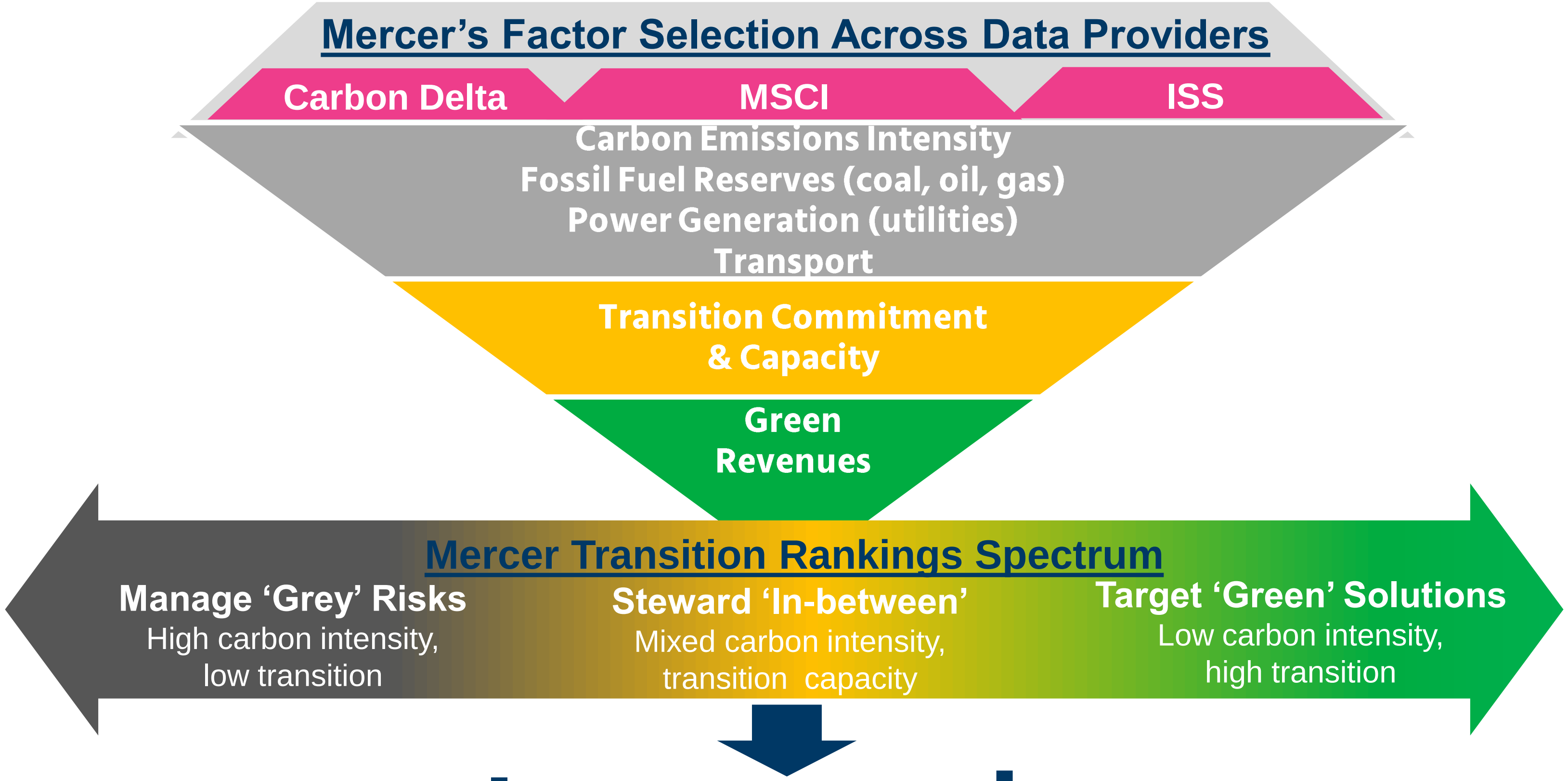
Emissions Data

Understanding the Scopes

The objective is to identify the ‘grey’, the ‘green’ and the ‘in-between’ i.e. from the likely ‘losers’ to the potential ‘winners’ in a low carbon transition, with the company names evolving each year.

Tudalen 314



Test Against TPI Rankings to double check stock names in grey end in particular

+

Test For Scenario Alignment emissions reductions required for ‘science-based alignment’

+

Test For Scenario Downside Risk test potential portfolio changes in different climate scenarios

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Science Based Targets Initiative (SBTi)

The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its strict criteria.

SBTi Targets

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions.

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the **Paris Agreement.**

→ All **scope 1 and 2** targets are classified under one of three categories: **2°C, well-below 2°C and 1.5°C.**

As of July 15th 2022, the SBTi will only accept target submissions of scope 1 and 2 targets that are in line with a 1.5°C trajectory.

Scope 3 targets are also evaluated during the target validation process. However, SBTi is carrying out a comprehensive review of their scope 3 target setting methods and criteria to ensure they are fully aligned with the Net-Zero Standard (work to be finalized by the end of 2022).

SBTI provides a useful 3rd party indication as to whether companies decarbonisation targets are credible or not.

- Launched in 2015, the SBTi is part of WRI's Center for Sustainable Business and a collaboration of WRI, CDP, WWF and the UN Global Compact.

1082	29%	1/3	1.5bn	53 million	68%
Approved Targets	**Reduction** in Scope 1 and 2 emissions between 2015 & 2020	of **global market capitalisation** covered by SBTi companies	**tonnes of CO2e** covered by SBTi (scope 1 & 2)	tonnes of **CO2 emissions reductions** across all targets	**targets** are 1.5°C aligned

In 2021, the SBTi entered a period of exponential growth and increasing corporate ambition - **doubling the number of new companies** setting and committing to set targets, and **tripling the rate** at which new targets were validated.

At the end of 2021, more than **2,200 companies covering over a third of the global economy's market capitalisation**, were working with the SBTi - a rate of more than **110 new companies** per month.

→ **Mercer integrates SBTi targets in its Analytics for Climate Transition (ACT) tool. The companies' ratings take into account if the company has one or more active carbon emissions reduction target/s approved by the SBTi.**

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Source: Science Based Targets, 2022

Decarbonisation – Emissions Metrics

Notes on the Analysis

- The analysis focuses on the Listed Equities portfolio, showing contributions to Fund emission metrics. We assess carbon dioxide "equivalent" metrics.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for, therefore we do not assume that companies have zero emissions because we do not have data for them.
- Emissions are likely underestimated as Scope 3 emissions are not included in the metrics presented within. Although we do present an overview of the attribution of Scope 3 emissions by fund and sector as part of our detailed analysis.

Understanding the Limitations

- Many of the IPCC's scenarios are reliant on net zero (or net negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net zero emissions in due course, as science and technology evolves.
- The focus of these decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will however seek to integrate Scope 3 emissions as methodologies improve.
- Given the limitations to all of the Metrics, Mercer advocates for monitoring decarbonisation progress on Absolute Emissions, WACI and carbon intensity basis.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 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 August 2023 Committee meeting. It includes matters that are for noting only, albeit comments are clearly welcome, particularly in relation to the Equality, Diversity and Inclusion proposals in paragraph 1.04.

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 including a recent internal audit report relating to the Fund's risk management
- 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
- an update on the recent training needs analysis and initial suggestions on future training plans
- forthcoming training and events, some of which are essential for Members.

RECOMMENDATIONS	
1	That the Committee consider the update and provide any comments.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	**Business Plan Update** The business plan update in Appendix 1 shows the latest progress for the governance tasks in the 2023/24 Business Plan. Good progress is being made with all actions under the Fund's control. There have been delays to national projects including TPR's new Code of Practice, and the Good Governance recommendations. 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*: Responses from the recent knowledge and skills self-assessment questionnaire have been collated. Additional training sessions have already been scheduled in February and March 2024, so it is proposed that the analysis of questionnaire responses forms part of a wider discussion on the training plan for 2024/25 to be developed as part of the Fund's business planning process. • *G2 – Appointment of Local Pension Board and Pension Fund Committee Members:* Following receipt of more than one nomination for the vacant employer representative position on the Board, the Board Chair and I met with the candidates. The appointment process is now complete and a verbal update will be provided at Committee. • *G3 – Review against TPR new General Code:* The Pension Regulator's new General Code has still not been laid but is expected to materialise in early 2024. Essential training on the new code has been scheduled for 20 March 2024. A review of the Fund's processes and practices against the new Code will be carried out when practical but may now need to be included within the 2024/25 business plan. The business plan timescales have been updated to reflect this further delay. • *G4 – Ongoing developments in business continuity arrangements including managing cyber risk*: The Pensions Administration Manager is meeting with Flintshire IT colleagues on 23 November to discuss feedback on the Fund's draft Incident Response Plan. We propose to discuss this and other documentation which has been developed to complete the implementation of the Fund's cyber strategy and business continuity arrangements at the Board meeting on 6 December. There will be a more detailed update for the Committee at their February meeting. • *G5: Succession Planning and Ongoing Resource requirements:* Following approval of proposals to increase the resilience of the administration team at the August Committee, work is ongoing to implement the agreed changes. Unfortunately, since then, the Communications Officer has recently accepted a role elsewhere within the Council and no suitable candidates were identified when the role was first advertised. Work is ongoing to fill that post. Further work is also being undertaken in relation to succession planning across the team.

	• *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. DLUHC officials recently indicated that we should expect some progress "early next year" but this was before the Government re-shuffle. The business plan timescales have been updated to reflect this further delay. • *G7: Review of governance related policies* The Fund's Risk Policy was scheduled to be reviewed in Q3 2024. Due to an ongoing review by Flintshire County Council of its risk management framework, the review of the Fund's policy has been postponed until Q4 so we can consider any changes to the Council's framework which are expected to be confirmed by the end of January 2024.
	Current Developments and News
1.02	*Pension Board meetings* Following the update at the last Committee meeting, the minutes from the 18 August 2023 special board meeting are attached in Appendix 2 for information. A Board meeting was also held on 18 October 2023 and a summary of the key points of discussion is included below: - Succession planning within the Finance team. The Head of the Fund explained it was unlikely to be possible to replace Mrs Fielder as Deputy Head of the Fund next year, so it is proposed to continue to develop the existing finance team members. The Board was supportive of ongoing planning in this area. - Workflow analysis and progress of the administration team restructure. The Pensions Administration Manager explained the changes approved at the August Committee meeting and the rationale. In addition to the workflow analysis undertaken, she also referred to telephone call analytics which had become available for the first time, giving further insight into the administration team workload. The Board was pleased with the resourcing plans of the administration team, and the support from HR colleagues at FCC which the Head of Fund advised had been instrumental in implementing the changes. - Cyber and Business Continuity – an update was provided on progress in implementing the Fund's cyber security strategy, including the draft Incident Response Plan and the Business Continuity Plan. - Responsible investment and pooling – the Board viewed the PMI video recorded by the finance team and Capital Dynamics, and received an update on various issues including relating to WPP. The Board requested the Deputy Head of the Fund to share the overall results of the WPP Stewardship Themes survey.

	- Administration - the Board noted the website analytics and were pleased with the increased engagement with pensioner members, The Board also noted plans to improve engagement with active members and the progress on employer engagement. The next Board meeting is scheduled for 6 December 2023.
1.03	*Internal Audit Report* A review was undertaken to assess the robustness of the processes the Fund has in place for the effective management of Funding, Investment and Governance risks, focusing on: • Adequacy of processes in place to oversee the management of Funding, Investment and Governance risks. • Detailed testing of a sample of Funding, Investment and Governance risks from the risk register to ensure appropriate risk assessments are in place, risks outside of appetite are supported by action plans and expected target dates, risk ratings have been defined and risk owners have been assigned. • Review of the processes for managing risks around climate change, recognising this is a particular issue for Clwyd Pension Fund. • Consideration of whether the risk register should be updated to reflect recent changes made to FCC Risk Management Policy (assessment of value and benefits of using the new approach, in particular recognising the difficulties CPF have with risk scoring using the current system) The Assurance Opinion was one of reasonable assurance: *key controls in place but some fine tuning required* with the conclusion*: key controls generally operating effectively.* There were two green (low priority) actions relating to the following control issues: **Appropriateness of the CPF risk scoring matrix** The agreed action, to review the Fund risk registers and ensure the model is fit for purpose was already planned as part of the risk policy review and comparison against FCC's new risk framework. As noted in the business plan update above, this action has been deferred due to an ongoing review of the FSS risk management framework. **Weaknesses in evidence to support strategic risk monitoring / review** The agreed action, to document all discussions and changes to the risks registers in one central place to ensure a full audit trail, is already being implemented by the Fund with the supports of its advisers. In addition, there is one amber (medium priority) action relating to the following control issue: **Risks are not recorded in one place, as such they may be missed or appropriate mitigations may not be put in place** The agree action is to produce a more detailed risk register for funding and investments to supplement and enhance the existing risk register, which

	will be considered on an ongoing basis by officers and advisers. We are working with Mercer as our actuary and investment adviser on implementing this. The Internal Audit Report is attached as Appendix 3.
1.04	*Equality Diversity and Inclusion (EDI)* The Pensions Regulator (TPR)'s guidance on EDI for governing bodies suggests that scheme managers should develop and maintain: • an EDI policy including an agreed definition of EDI • the EDI aims of the governing body and • an EDI training plan for the governing body. A draft Fund policy on EDI will be brought to the Committee for approval in the new year. As part of this work, officers and advisers will be ensuring that the approach in developing the Fund's EDI Policy, including the definition of EDI, has regard to the Flintshire County Council Policy, given it is the administering authority. In the meantime, the Committee is asked to comment on the following working draft definition of EDI and its benefits for the Fund's policy (which in turn could be developed as part of the Fund's aims): **Equality** – for CPF, equality is about ensuring that all members and employers have equal access to information about the Fund, the benefits it offers and what the Fund needs from them to administer the benefits. The Fund also recognises that enhancing the diversity of those involved in managing the Fund, including officers, Committee and Board members can improve equality. **Diversity** – CPF considers diversity to relate all characteristics which make individuals different; from protected characteristics such as age, disability, race, religion, sex and sexual orientation and broader characteristics such as socio-economic background, life experiences, education levels and languages. **Inclusion –** CPF aims to create an environment in which all those individuals involved in managing the Fund can thrive and reach their full potential. The Fund commits to ensuring that, where possible, the Pension Board and Committee are made up of individuals with a broad range of characteristics, life experiences, expertise, and skills. By doing this, the Fund believes this will lead to: • more effective decision-making that reflects member needs and values • better decision-making that benefits members and employers • greater understanding, insight and empathy for scheme beneficiaries in areas where discretions are exercised • improved communications with scheme members and employers* *The Committee may also recall that the review of the Fund's Communications Strategy in June 2022 recognised the needs of different

	stakeholders, and it includes commitments around accessibility, ease of understanding and access in both English and Welsh.
1.05	*LGPS Scheme Advisory Board (SAB) meetings* The LGPS SAB met on 17 July. The meeting summary is attached at Appendix 4. The date of the next SAB meeting is on 4 December 2023. The update paper on the Knowledge and Skills Workstream for the 23 October meeting of the Compliance and Reporting Committee of the SAB, here, refers to the Knowledge and Skills survey which was issued to LGPS Pension Committees and Boards. It confirms the intention to announce the results at the Governance conference in January 2024 and "determine whether there are any specific recommendations which can assist funds in this area". The Fund has confirmed with SAB that their survey is not intended to replace Fund-specific training needs analysis but it is hoped that SAB will share any relevant information relating to CPF Committee and Board member responses to assist in development of the training plan.
1.06	*DLUHC's Consultation on Investment Issues* DLUHC's consultation "LGPS (England and Wales): Next steps on investments" closed on 2 October 2023. The Fund submitted its response based on the draft considered by the Committee at their August meeting. It is attached as Appendix 5. WPP also responded and the SAB's response can be found here.
1.07	*Government re-shuffle* On 13 November, just a year after his appointment, Lee Rowley has been promoted from Local Government Minister (which included responsibility for the LGPS) to Housing Minister – the former role being a Parliamentary Under Secretary of State and his new role a Minister of State. He has been replaced as Local Government Minister by Simon Hoare, MP for North Dorset and previously an Oxfordshire Councillor. It is not yet clear what these changes will mean for the LGPS, but unless the new Minister takes a much greater interest in the LGPS, we might expect further delays or changes to priorities affecting national initiatives such as TCFD reporting requirements, Good Governance, the Goodwin ruling and even the recent proposals relating to investments and asset pooling. At the same time, Laura Trott has been promoted from Pensions Minister to Chief Secretary to the Treasury, a role whose responsibilities include public sector pay and pensions. With employer contributions to the unfunded schemes going in the opposite direction to those of the LGPS, it will be interesting to see if and how her experience in relation to private sector schemes from her time at DWP influences her approach to public sector pensions policy.
1.08	*Treasury publishes a Written Ministerial Statement on Treasury Cost Control Mechanism*

	On 19 September 2023 the Treasury issued a written ministerial statement confirming the reforms to their cost control mechanism. The changes made are to address concerns that the mechanism did not meet its original objectives, following a review by the Government Actuary and a consultation. The SAB is in the process of reviewing its cost control mechanism for the LGPS which operates alongside the Treasury mechanism.
1.09	*The Autumn Statement* The Autumn Statement is taking place on 22 November, after the Committee papers have been finalised for publishing. A verbal update on anything of relevance to the Fund will be provided at the Committee meeting.
1.10	*Procurement Act 2023* The Procurement Act received royal assent on 26 October. It is part of the Government's Transforming Public Procurement programme which aims to create a simpler and more flexible, commercial system; open up public procurement to new entrants such as small businesses and social enterprises and embed transparency throughout the commercial lifecycle. The Act is likely to impact the Fund's procurement of advisers and suppliers in the future. Officers will therefore ensure the new requirements are understood, albeit Government has indicated that it expects the new regime to go live in October 2024, with at least 6 months' advance notice. Further, Government has indicated that existing legislation will apply until the new regime goes live, and will also continue to apply to procurements started under the old rules.
1.11	**Policy and Strategy Implementation and Monitoring** *Knowledge and Skills Policy and Training Plan* Policy requirements The Fund's Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to: • attend training on the key elements identified in the CIPFA Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis • attend training sessions on "hot topic" areas, such as a high risk area or an area of change for the Fund and • attend at least one day each year of general awareness training or events. Training Needs Analysis – As part of the Fund's 2023/24 business plan, and in line with the requirements of the Fund's Knowledge and Skills Policy, a training needs analysis is carried out at least once every two years to identify any gaps in knowledge of Committee and Board members. Responses to the recent questionnaire have been collated and it is proposed to hold a briefing session in early 2024 to discuss the results and seek further views from the Committee and Board to inform the training plan for 2024/25. The development of the training plan will then

form part of the Fund's business plan for 2024/25 which will be put forward for approval by the Committee at their meeting on 20 March 2024.

Appendix 6 sets out the Fund's training plan and training undertaken since the last meeting.

Training undertaken.
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 (20%)	3 (60%)
Total		**(89%)**	**(50%)**	**(67%)**

Non-essential, general awareness training attended by Committee members since the last update includes the LGC Investments and Pensions Summit and WPP training on Responsible Investment in September.

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:

- WPP Q3 Reporting on 13 December 2023
- LGA LGPS Governance conference on 18/19 January 2024 in York
  The following are the next essential training sessions, which should be attended by all Committee and Board members. It is proposed to hold these sessions after the Committee meetings and so members should make themselves available for the full day. Lunch will be provided.
- CPF Investment matters essential training on 28 February 2024
- TPR General code essential training on 20 March 2024

1.12 *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 7 details the current breaches that have been identified. There were two new breaches, one relating to late remittance advice for a community council and the other relating to transfers out being delayed due to the delay in provision of GAD guidance. The late remittance advice has been escalated to the Deputy Head of the Fund as it now covers all months since April 2023.
1.13	**Delegated Responsibilities** The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. There have been no uses of general delegated powers for governance matters since the last update report, but use has been made of the following special delegations agreed by the Committee at their August meeting: • The Committee delegated responsibility for approving the final DLUHC consultation response to the Head of Clwyd Pension Fund. • The Committee delegated responsibility for approving the final (Stewardship Code) submission to the Head of Clwyd Pension Fund.
1.14	**Calendar of Future Events** Appendix 8 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates. Committee and Board Members are asked to note that they have been invited to the Fund's Annual Meeting for employers and scheme member representatives on 7 December. There are no formal presentations at the event (as videos were sent out) but it is an opportunity to speak with officers and advisers.

2.00	**RESOURCE IMPLICATIONS**
2.01	National developments do have an impact on workloads within the in-house CPF Team but given the lack of progress in relation to national issues, there are no resource implications to highlight from a governance perspective.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The Fund has now responded to the DLUHC's consultation "LGPS (England and Wales): Next steps on investments" as set out in paragraph 1.06 above.

4.00	**RISK MANAGEMENT**
4.01	Appendix 9 provides the risk dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk

	register has been updated since it was last presented to the Committee in August.
4.02	There are no changes to the risk scores since the last meeting. Key changes to actions and internal controls are as follows: - 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 action relating to the training needs analysis has been updated to recognise progress made with this. - Risk number 3: Legal fiduciary responsibilities are not met due to decisions being influenced by conflicts of interest - a new action has been added to ensure a robust process where any decisions relate to "local" investments outside of WPP. A similar action already exists for investments via WPP. 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. A new action has been added to ensure a resource plan is agreed and implemented to address the retirement of the Deputy Head of Clwyd Pension Fund which is expected in June 2024, and the target date has been moved to July 2024. The risk has also been updated to recognise the new Administration Team structure which approved at the last committee.
4.03	Risk number 6 remains the risk furthest from target given the need to implement the new Administration Structure and expected retirements in the next few years.

5.00	**APPENDICES**
5.01	Appendix 1 – Business plan update for governance tasks Appendix 2 – Minutes of the Pension Board meeting on 18 August 2023 Appendix 3 – Internal Audit Report Appendix 4 - SAB Meetings – Summary of 17 July meeting Appendix 5 – CPF response to Next Steps in Investments Consultation Appendix 6 - Training plan Appendix 7 - Breaches log Appendix 8 - Calendar of future events Appendix 9 - 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: • 1.04 – TPR's Guidance on EDI for governing bodies https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/governing-body-detailed-guidance/equality-diversity-and-inclusion/edi-overview • 1.05 - LGPS Scheme Advisory Board meetings – https://lgpsboard.org/index.php/board-meetings • 1.06 – SAB's response to consultation https://lgpsboard.org/images/Responses/DLUHC_Investment_consultation_SABresponse.pdf • 1.08 – Written Ministerial Statement https://questions-statements.parliament.uk/written-statements/detail/2023-09-19/hcws1051 • 1.09 SAB Chair's letter to DLUHC https://lgpsboard.org/images/Other/ChairtoTeresaClay_deemedemployerstatus_October2023.pdf **Contact Officer:** Philip Latham, Head of Clwyd Pension Fund **Telephone:** 01352 702264 **E-mail:** philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) **Administering authority 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.

Mae'r dudalen hon yn wag yn bwrpasol

Business Plan 2023/24 to 2025/26 – Q3 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	39,298	78,596	1,796
Lump Sums & Death Grants	17,158	17,183	16,000	8,309	16,000	0
Transfers Out	4,459	5,974	6,000	2,364	6,000	0
Expenses	5,047	6,128	5,900	2,754	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	52,725	106,731	1,796
Income						
Employer Contributions	(49,897)	(56,977)	(60,000)	(31,306)	(62,612)	(2,612)
Employee Contributions	(17,530)	(20,070)	(20,200)	(10,051)	(20,102)	98
Employer Deficit Payments	(14,383)	(14,889)	9,200	4,184	8,368	(832)
Transfers In	(6,957)	(6,245)	(6,000)	(2,726)	(6,000)	0
Pension Strain	(1,482)	(670)	(1,200)	(190)	(600)	600
Income	(13)	(479)	(200)	(504)	(804)	(604)
Total Income	(90,262)	(99,330)	(78,400)	(40,593)	(81,750)	(3,350)
Cashflow Net of Investment Income	3,442	857	26,535	12,132	24,981	(1,554)
Investment Income	(11,635)	(12,130)	(12,000)	(7,256)	(12,000)	0
Investment Expenses	6,162	6,999	6,000	4,708	9,416	3,416
Total Net of In House Investments	(2,031)	(4,274)	20,535	9,584	22,397	1,862
In House Investments						
Draw downs	66,941	82,865	131,210	53,003	120,813	(10,397)
Distributions	(117,117)	(91,626)	(82,502)	(24,384)	(64,086)	18,416
Net Expenditure /(Income)	(50,176)	(8,761)	48,708	28,619	56,727	8,019
Total Net Cash Flow	(52,207)	(13,035)	69,243	38,203	79,124	9,881
Rebalancing Portfolio	9,640	(5,602)		15,323	(32,677)	(32,677)
Total Cash Flow	(42,567)	(18,637)	69,243	53,526	46,447	
Closing Cash	(79,645)	(98,282)	(27,227)	(44,756)	(51,835)	

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	**161**	**413**	(0)
Support & Services Costs (Internal Recharges)	23	18	17	**0**	**17**	0
Other Supplies & Services)	65	64	95	**(38)**	**95**	0
Audit Fees	41	47	45	**0**	**45**	0
Actuarial Fees	493	926	722	**172**	**722**	0
Consultant Fees	1,065	1,548	1,087	**441**	**1,087**	(0)
Advisor Fees	532	586	598	**181**	**598**	(0)
Legal Fees	113	74	30	**23**	**30**	0
Pension Board	101	96	111	**18**	**111**	0
Pooling (Consultants & Host Authority)	144	163	215	**27**	**215**	(0)
Total Governance Expenses	2,876	3,803	3,333	**985**	**3,333**	(0)
Investment Management Expenses						
Fund Manager Fees*	19,490	21,298	19,755	**4,705**	**19,755**	(0)
Custody Fees	106	158	192	**17**	**192**	0
Performance Monitoring Fees	53	46	46	**17**	**46**	0
Pooling (Operator / Manager)	998	930	885	**0**	**885**	(0)
Total Investment Management Expenses	20,647	22,432	20,878	**4,739**	**20,878**	(0)
Administration Expenses						
Employee Costs (Direct)	1,242	1,392	1636	**702**	**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	**460**	**718**	0
Other Supplies & Services)	103	125	146	**25**	**146**	0
Total Administration Expenses	2,024	2,147	2,614	**1,187**	**2,614**	(0)
Employer Liaison Team						
Employee Costs (Direct)	218	320	396	**190**	**396**	0
Total Costs	**25,765**	**28,702**	**27,221**	**7,101**	**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				
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.

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.

FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the special meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held remotely via Microsoft Teams on Friday 18th August at 10.00 am.

THE BOARD:

Present:

Chair: Ms Alison Murray (Alternate Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Jackson

Apologies:

Member Representatives: Mr Phil Pumford

Independent Member: Mrs Karen McWilliam

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)
Mrs Karen Williams (Pension Administration Manager) (from item 4)
Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)
Ms Morgan Nancarrow (Governance Administration Assistant)

		Actions
1.	**APOLOGIES/ WELCOME**	
	Apologies were received from Phil Pumford and Karen McWilliam prior to the meeting.	
	As the alternate independent adviser to the Fund, Ms Murray explained that she would be chairing this meeting in Mrs McWilliams' absence.	
	As Mr Gadd's Board Membership had now come to an end, she took the opportunity to thank him for his commitment to the Board during his time in post.	

2. DECLARATIONS OF INTEREST

There were no new declarations made or recorded.

3. PENSION BOARD MEMBERSHIP

Mr Gadd's term as an employer representative on the Board ended on 31 July as he had indicated he did not wish to be re-appointed. According to the Board protocol, the process for appointing a replacement employer representative requires all employers to be invited to nominate a representative. This meant it was unlikely that there will be a replacement by the next Board meeting.

4. DISCUSSION AROUND GOVERNANCE OF INVESTMENT DECISIONS

Mr Latham explained that following the Council elections in 2022, a number of new Committee members had been appointed. They had indicated a desire to better understand the Fund's approach to responsible investment and climate change. Three essential training sessions on this topic had now been delivered to Committee members to assist in their decision-making. The Board had been invited to these sessions and where able, Board members had attended.

The first session (on 26 April 2023) covered the governance of investments and sought to clarify how the Fund invests, and the responsibilities of the Committee in relation to investment. A key message of the session was the Fund cannot instruct investment managers within the Pool to divest from individual companies without agreement of the Wales Pension Partnership (WPP). It was also noted that pooling LGPS fund assets was UK Government policy, so removing investments from WPP would be contradictory to that policy. The Chair noted that the Government appears to intend for LGPS funds to progress towards greater and faster asset pooling, and increasingly regards LGPS assets as deployable to support the levelling up agenda.

Mr Latham continued - the second training session (on 3 May 2023) discussed potential options for a proposed framework for exclusion.

The final session (on 2 August 2023) built on previous discussions and included analysis from the Fund's actuary and investment consultant on the implications of various exclusionary policies.

The key outcome of the sessions was to enable a framework for exclusion to be developed and to establish a definition of fossil fuel investments for inclusion within the Fund's Investment Strategy Statement (ISS) which would be brought to the Committee meeting on 30 August for approval.

Discussions kept in mind the Fund's fiduciary duty and the challenges to implementing an exclusionary policy within the context of asset pooling.

The Chair asked if the Fund would be taking legal advice, and Mr Latham explained that the Fund will consult with Sackers before the final version of the ISS is approved. Mr Latham said he did not anticipate any legal difficulties.

The Chair explained that the Fund has now drafted proposed wording for the Responsible Investment section of the ISS which has been shared with Committee members for feedback. The Board was invited to share views on this wording.

Mrs E Williams acknowledged the work that has been put in by Officers and Advisers across the three training days. She also commented that the training sessions had been very beneficial, and that she continues to learn from every Fund training session she attends. She felt the proposed ISS wording was positive but the ultimate decision sits with the Committee. She also noted that strong efforts had been made by Officers and Advisers to address the concerns of Committee members and provide the information needed to make this decision.

Mr Jackson shared these sentiments and noted the process had been handled very well. He thought the first training session on the background and governance of the Fund's investments was particularly helpful, including the input from Advisers. He also felt that consistency with a Paris-aligned benchmark is a sensible option. He acknowledged that cost implementation and legality as well as the impact of pooling had all been considered in sufficient detail to inform a decision, and was pleased to note that an appropriate governance framework and process had been followed throughout.

The Chair wished to acknowledge and express her support for the work that had been put in by Officers, Advisers and Committee members, and highlighted the considerations that had gone into the process of reviewing the Fund's Responsible Investment approach, including funding, practicalities and engagement with WPP, and the involvement of Russell Investments throughout the process. She noted that the training days had been very well attended and felt that the level of engagement and discussion by the Committee ensured decisions could be made in a fully informed way.

All three Board members recognised there were differing views on the speed of achieving net zero and associated targets and felt it was important for the Committee to make a decision collectively which they could all stand by. The Board were also hopeful that the process of approving the ISS could now move forward without further significant delay.

The Chair invited comments on the proposed wording for the RI section of the ISS, which both Mr Jackson and Mrs E Williams confirmed they had read in advance. The Chair requested clarification around the meaning of “[x%]” within the table in the proposed ISS wording, and Mr Latham clarified this referred to whichever route was being looked at: either the Fund’s ambition or the minimum first step. Mrs E Williams also felt this was unclear and asked if it could be clarified for the benefit of those readers who had not attended the training sessions. She suggested the “[x%]” could be replaced by “percentage of”.

Action - To propose amending the wording within the table in the RI section of the ISS to ensure the meaning is clear to readers.	**Head of Clwyd Pension Fund**

Mr Latham explained that the proposed ISS wording had been shared with all Committee members and feedback to date had been around adding wording relating to a decision to divest where engagement fails. Officers and Advisers were in the process of updating the wording accordingly.

With respect to the provision of feedback for the Committee, it was agreed that subject to clarification of the table within the proposed ISS wording, the Board was supportive of the wording. The Board also agreed to pass on their positive views regarding the training and governance process undertaken, whilst emphasising the need for the Committee to agree the strategy and for the Fund to seek legal advice before finalising any exclusionary policy.

Action - A statement will be drafted summarising the Board’s views, to be included within the agenda papers for the August Committee meeting, subject to agreement from the Board members.	**Chair**

The Chair asked if the Board had any input for the Advisory panel, of which there was none.

5. WPP STEWARDSHIP THEMES QUESTIONNAIRE

The WPP Stewardship Themes questionnaire was shared with both Committee and Board ahead of this meeting to gather views to inform the Fund's response.

Mr Jackson commented that the themes proposed were reasonable and that a focus on marine themes would be a good additional focus for WPP given Wales' geographical position with lots of coastline.

Mrs E Williams was happy for her feedback to the questionnaire to be shared. She commented that the current themes were very important and seemed to reflect the Committee's views. She also felt that the proposed additional themes were very important, noting she thought that use of carbon offsets was important to the Committee/Fund and ensuring the living wage is paid in the UK is important from a scheme member perspective. If the facility to include all themes is available, this would be an ideal solution, but this would need to be practical for Robeco to implement.

The Board were supportive of the approach that WPP were taking to the stewardship themes review and agreed that all the themes put forward within the questionnaire were highly important.

Action - An email will be circulated to the Board members drafting the Board's proposed input into the stewardship questionnaire. Once agreed, this would be included in the Committee papers alongside the Committee's views on stewardship themes.

Chair

Mrs Fielder noted that Robeco have a range of clients and need to balance all clients' priorities in their annual theme reviews. She will contact WPP to confirm how the questionnaire responses will be used.

Action - Mrs Fielder will contact WPP to confirm whether future engagement by Robeco will be specific to WPP's requirements.

Deputy Head of Clwyd Pension Fund

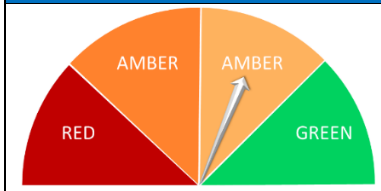
6. Future Meetings

The next full board meeting was scheduled for 5th September 2023 but needs to be re-arranged.

Mae'r dudalen hon yn wag yn bwrpasol

2022/2023 – Clwyd Pension Fund – Investment, Management and Accounting Risk Registers – External
53-2022/23 – Final report – July 2023

Assurance Opinion:



Reasonable Assurance - Key Controls in place but some fine tuning required

- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments

Conclusion: key controls generally operating effectively.

Number of Actions

Priority	Number
High (Red)	0
Medium (Amber)	1
Low (Green)	2
Total	3

Risks Reviewed as Identified in Scope

Risk 1: Funding, Investment and Governance risks, managed through the Clwyd Pension Fund Risk Register, are not being adequately monitored or mitigated.

Audit Background

The Clwyd Pension Fund (CPF) is a £2.3bn Local Government Pension Fund which provides retirement and death benefits for local government employees (with the exception of teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

The Council has delegated the key decision making and management of the Fund to a formal Pension Fund Committee which is supported by a Pensions Advisory Panel. The Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters and is driven by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Pensions Regulator (TPR) and legislation.

The day to day operations of the Fund are managed by the Head of Clwyd Pension Fund supported by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager. The investment, management and accounting of the fund is overseen by the Pensions Finance Section. The Pensions Finance section is responsible for the day to day accounting and closure of the accounts, as well as the management of the Fund's assets.

This review was undertaken to assess the robustness of the processes in place for the effective management of Funding, Investment and Governance risks, with focus on:

- Adequacy of processes in place to oversee the management of Funding, Investment and Governance risks.
- Detailed testing of a sample of Funding, Investment and Governance risks from the Risk Register to ensure appropriate risk assessments are in place, risks outside of appetite are supported by action plans and expected target dates, risk ratings have been defined and risk owners have been assigned.
- Review of the processes for managing risks around climate change, recognising this is a particular issue for Clwyd Pension Fund.
- Consideration of whether the risk register should be updated to reflect recent changes made to FCC Risk Management Policy (assessment of value and benefits of using the new approach, in particular recognising the difficulties CPF have with risk scoring using the current system).

2022/2023 – Clwyd Pension Fund – Investment, Management and Accounting Risk Registers – External 53-2022/23 – Final report – July 2023

Areas Managed Well

- Risk Policy in place which was approved by the Clwyd Pension Fund Committee in 2020.
- Good working relationships with external providers who provide guidance and professional specialist expertise (Aon & Mercers).
- Robust framework for regular reporting of management information at Board and Committee level.
- Risk Registers are in place and are regularly reviewed and updated and discussed both internally and with external partners.
- Risk ratings have been defined and risk owners have been assigned.
- Risk assessments carried out regularly to identify and manage the main risks to the achievement of the scheme's objectives.
- Independent governance advisor commissioned annually to provide a report on the governance of the fund, including an assessment of the risk management framework and key areas of risk.
- Progress against responsible investment priorities including agreeing a new net-zero target for 2045 and interim carbon reduction targets, all of which are built into the Investment Strategy Statement.
- Introduction of a Climate Change report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD").
- Introduction of the first Annual Stewardship Report.
- Ongoing work on delivering the Fund's responsible investment priorities, including formal request to Wales Pension Partnership (WPP) for the establishment of a Sustainable Active Equity fund in lowering targets for climate change.

Findings and Implications		Agreed Action	Who	When
1 (A)	**Control Issue: risks are not recorded in one place, as such they may be missed or appropriate mitigations may not be put in place.** The CPF Funding, Investment and Governance risk registers detail risk mitigations (described as 'internal controls in place') and 'further action' to be taken to ensure risk is brought within risk appetite. The risk registers define a due date for 'further action' to be taken and the risk owner. The risk register details strategic risks and within the 'further actions' to manage the strategic risks are further risks which underpin the strategic risks. These risks are not reflected on the risk register and are not monitored centrally in one place. The risks may not be identified and/or forgotten if they are not documented.	URN 3561 To support the strategic risk register we will produce a more detailed risk register for funding and investments, which will supplement and enhance the more high level risk register currently in place.	Debbie Fielder	31st March 2024

Findings and Implications		Agreed Action	Who	When
2 (G)	**Control Issue: Weaknesses in evidence to support strategic risk monitoring / review** Processes are in place for reviewing / updating the CPF risk registers including discussion of current and emerging risk at quarterly Pensions Advisory Panel meetings (supported by CPF advisors, Mercers and Aon) and ongoing review as part of the day to day operational management of risk. Whilst the quarterly Pensions Advisory Panel meetings are a forum for the consideration of risk, depending on the size of the agenda risk registers / emerging risk may not always be considered, instead being picked up in discussions outside these meetings. Whilst there are formal notes of discussion at the Pension Advisory Panel meetings, subsequent discussion around risk between the scheme's professional advisors and management (which take place on a daily basis) are not minuted / logged. Evidence can be found in other notes/minutes or board minutes but are not contained in one central place or attached via links to the registers. Although all evidence was found to be in place during testing there is an implication that verbal decisions may not always be recorded or an audit trail exist to identify any changes made to risks.	URN 3566 All changes to risks contained within the risk registers including notes and discussions will be held in one central place for ease of locating the details and to ensure a full audit trail.	Debbie Fielder	31st March 2024
3 (G)	**Control Issue: Appropriateness of the CPF risk scoring matrix** The risk scoring matrix currently in use by CPF has been in place for some time. CPF consider the current scoring matrix is too broad / boundaries are too wide and as such it does not accurately reflect the progress of risk actions on residual risk scores within the Funding and Investment Risk Registers. The Council have recently introduced a revised risk scoring matrix which may address some of the issues CPF are currently experiencing. In addition, Mercers have provided an example of a risk scoring matrix used by other pension schemes, which allow for the scoring relating to Investment and funding of sub risks with	URN 3560 Review of the current risk registers to identify if the CPF may benefit from the use of a different matrix and to ensure the current model is fit for purpose. This will be carried out as part of the risk policy review.	Debbie Fielder	31st March 2024

Findings and Implications		Agreed Action	Who	When
	an overall score for combinations of risks, which may address the issues around score boundaries being too wide. CPF have not assessed alternative risk matrices to determine if there would be benefits in revising their current approach.			

Distribution List	
Philip Latham	Accountable Officer Responsible for the Implementation of Agreed Actions
Neal Cockerton	Chief Executive
Philip Latham	Head of Clwyd Pension Fund
Debbie Fielder	Deputy Head of Clwyd Pension Fund

2022/2023 – Clwyd Pension Fund – Investment, Management and Accounting Risk Registers – External 53-2022/23 – Final report – July 2023

Audit Priority:

Appendix A

Priority of Audit Finding	
Priority	**Description**
High (Red)	Action is imperative to ensure that the objectives of the area under review are met
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area
Low (Green)	Action encouraged to enhance control or improve operational efficiency

Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	**Strong controls in place (all or most of the following)** • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable **Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.**
Amber Green – Reasonable	**Key Controls in place but some fine tuning required (one or more of the following)** • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments **Conclusion: key controls generally operating effectively.**
Amber Red – Some	**Significant improvement in control environment required (one or more of the following)** • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. **Conclusion: key controls are generally inadequate or ineffective.**
Red – Limited	**Urgent system revision required (one or more of the following)** • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. **Conclusion: a lack of adequate or effective controls.**

Mae'r dudalen hon yn wag yn bwrpasol

LGPS Scheme Advisory Board
Summary note of (hybrid) meeting held on 17th July 2023

Full details of the meeting and agenda papers can be found on the board meetings page.

The minutes of the meeting on 22nd May were approved.

The main points arising from the meeting are shown below:

Economic Activity of Public Bodies (Overseas Matters) Bill - On June 30th, the then LGA Chairman Cllr James Jamieson, supported by the LGA's Head of Pensions Jo Donnelly, met the DLUHC Minister Felicity Buchan to discuss the Bill, with a particular focus around the proposed enforcement regime. The Bill is now at Committee stage and the SAB will be submitting evidence to the Committee in September 2023.

McCloud - DLUHC's second McCloud consultation closed on 30th June 2023. The LGPC response comprised largely of responses to technical issues raised. There were ongoing concerns about the timing of regulations and resource capacity within DLUHC to do this work. The LGPC team had begun work to procure a provider to draft communications for scheme members with input from the Communications Working Group.

Investments - DLUHC's long-awaited consultation, titled "Next Steps on Investments" was issued on 11th July 2023. The consultation closes on 2nd October 2023.

The Board had a lengthy discussion about the consultation and in particular DLUHC's proposals to accelerate the pooling of investments. A working group was established to help draft the SAB response.

Cost Control Mechanisms - The results of the Treasury Cost Control Mechanism are expected in the Autumn and the intention is for the SAB Scheme Cost Assessment (SCA) process to feed into GAD who will provide advice to the Board on assumptions, e.g. the appropriate discount rate for a funded scheme like LGPS. Both cost assessments examine the overall cost of the scheme, but the SAB process also examines the split of costs between employers and employees.

Code of Transparency Reporting System - The Board is considering the future of the Code of Transparency reporting system. The contract to provide this system, currently held by Byhiras, expires in August 2024 and so the Board discussed the options on the most suitable next steps

The Secretariat are also carrying out a series of roadshows to promote better understanding of, and engagement with, the system. As part of these sessions, feedback was being sought on whether the system specification was meeting funds' needs. The Board wanted feedback from the roadshows to shape a paper for their December 2023 meeting.

Annual Report update - The tenth Scheme Annual Report was published on 27th June 2023. The Chair thanked Gareth Brown, the SAB's Research and Data Analyst, for his work in creating the report.

Board Budget 2023/24 - The Board discussed the delayed approval of the 2023/24 Budget and Workplan by the Minister. The Chair informed the Board that he had recently met with the Minister and had a substantive discussion on this issue. The Minister had requested alternative options for the 2023/24 budget before making a final decision on which option to approve. The Board discussed and approved the options presented in the paper. It was agreed to develop a medium-term financial plan to give further clarity about expenditure in future years with the aim of reducing late approval of the budget and workplan, and therefore giving more certainty to the Board.

Terms of Reference - The Board received a paper on the Terms of Reference (ToR) which included a recommendation that the ToR be updated to amend the minimum number of four meetings per year to three. The Board agreed this change.

Date of Next Meeting – 4th December 2023

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

Cronfa Bensiynau
CLWYD
Pension Fund

To: Emailed to LGPensions@levellingup.gov.uk

Date/Dyddiad: 29 September 2023

Our ref/Ein Cyf: DLUHC-Clwyd

Name/Enw: Philip Latham

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

LGPS (England and Wales): Next steps on investments

The Clwyd Pension Fund welcomes the opportunity to respond to the consultation set out by the Department for Levelling Up, Housing & Communities (DLUHC); requesting responses to the 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.

The Clwyd Pension Fund Committee has agreed the following response in relation to the consultation. The response has been drafted from the Fund's specific point of view rather than the wider LGPS.

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.

Yours sincerely,

Philip Latham

Head of the Clwyd Pension Fund
Clwyd Pension Fund

Consultation Questions and Answers

Question 1
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?
• 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. • In regards to pooling and creating larger and fewer pools, the Fund is content with the current position of the Wales Pension Partnership (WPP) pool. The WPP has already been able to deliver significant savings for all eight 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 within Wales. • The Fund believes that the WPP has already established strong governance structures which has enabled the eight member constituent authorities to enact decisions. • The Fund is open to collaboration with joint vehicles, which the Fund already actively pursues.

Question 2
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?
• The Fund notes that it has already transitioned all of its listed assets where applicable into the WPP pool. A snapshot of the Fund's current strategic allocations and explanation for not pooling has been noted below for reference. • The Fund has committed that all new private market commitments are to be made to available sub-funds within the WPP (e.g. Infrastructure, Private Debt) where this fits with the Fund's investment strategy requirements. • The Fund welcomes the option to explain the rationale for holding non-traditional assets outside the pool within the Fund's Investment Strategy Statement (ISS).

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	Cash and Risk Management Framework	23.0	Not yet available within WPP

Question 3
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?
• 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. • The Fund agrees with the statement "pools should operate as a single entity which acts on behalf of and in the sole interest of the partner funds". • The Fund agrees with the statement that the DLUHC does not see inter-pool competition as a desirable progression. • In respect of the statement that "pools should be actively advising funds regarding investment decisions, including investment strategies", the Fund is concerned whether the pool is regulated to give advice. Secondly, the Fund is concerned that if the pool is regulated, a conflict of interest will arise from this set up. • The Fund agrees that pools should be equipped to implement an investment strategy as instructed by their partner funds. • In respect of the 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 support of 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. • 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. • The Fund disagrees with assertions that there is a need for fund's to be aligning their investment strategies, however, implementation should be fully delegated to the pool, for example, if there is a concern on 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.

Question 4

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

- Yes, the Fund agrees with this statement.
- 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.

Question 5

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?

- 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 to be provided to SAB, forming the annual report as per regulations and allowing Funds to produce the annual report with fewer restrictions.

Question 6

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

- Yes, the Fund is supportive of the Scheme Annual Report.
- The Fund would be supportive of an approach similar to that of the private sector, whereby a scheme return is to be provided to SAB, forming the annual report as per regulations and allowing funds to produce the annual report with fewer restrictions.

Question 7
Do you agree with the proposed definition of levelling up investments?
• 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 prefers alignments 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.

Question 8
Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
• The Fund agrees in principle that funds should be able to invest through their own pool in another pool's investment vehicle, however the Fund's preference is to continue to make arrangements with WPP's funds as a priority. • The Fund is supportive of other funds investing in mandates across pools.

Question 9
Do you agree with the proposed requirements for the levelling up plan to be published by funds?
• Yes, the Fund agrees with this statement. • 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, and are an appropriate fit for the Fund's investment strategy requirements.

Question 10
Do you agree with the proposed reporting requirements on levelling up investments?
• Yes, the Fund supports reporting. We already report on an annual basis, but do so based on commitments as well as the current invested capital.

Question 11
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?
• The Fund believes investment strategy decisions should not be mandated centrally by Government. 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 this 8% is strategically allocated to private equity, and a 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. 77% of impact/ place based investments are based in the UK. • The Fund believes the barriers to investment in growth equity and venture capital within LGPS is the level of risk, on which the Fund has taken regulated advice, and the cost of investment with underlying managers.

Question 12
Do you agree that LGPS should be supported to collaborate with the British Business Bank (BBB) and to capitalise on the Bank's expertise?
• The Fund is already in discussion with the BBB and is open to collaborate. The Fund would undertake due diligence to ensure that such investment through the BBB is suitable for the Fund's investment strategy.

Question 13
Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?
• Yes, the Fund agrees with the proposal and is already in compliance with the order.

Question 14
Do you agree with the proposed amendment to the definition of investments?
• Yes, the Fund agrees with the proposed amendment to the definition of investments.

Question 15
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.
• No, the Fund does not consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals.

Training Plan as at 21 November 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
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	LAPFF Annual Conference 2023	LAPFF Annual Conference (Bournemouth)	06 Dec 2023	TBC		Bournemouth 6-8 December
External	Desirable	WPP - Q3 - Reporting	Investment Performance Reporting and TCFD Reporting	13 Dec 2023	TBC		
External	Desirable	PLSA Local Authority Forum	PLSA Local Authority Forum	14 Dec 2023	TBC		London
External	Desirable	LGPS Governance conference	LGA Annual Governance conference (York)	18 Jan 2024	6		Lunchtime 18th to lunchtime 19th. In person or virtual
Internal	Essential	Investment Matters	CPF Investment Matters and Training Plan	28 Feb 2024	TBC	Committee members, Board members	Afternoon
Internal	Essential	TPR General Code	Includes the role and powers of The Pensions Regulator, as well as the Code requirements	20 Mar 2024	TBC	Committee members, Board members	Afternoon
External	Desirable	WPP - Q4 - Market Understanding & Regulatory Requirements	Progress of other LGPS pools & Collaboration Opportunities; Pooling Guidance	TBC	TBC		Q4
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	TBC
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	TBC
Internal	Essential	Administration considerations	Overview of Goodwin court case affecting widowers	TBC	0.5	Committee members, Board members, Senior Officers	TBC

Training Plan as at 21 November 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
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	TBC
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	TBC

Previous Events

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
External	Desirable	LGPS Pension Managers Conference 2023	LGPS Pension Managers Conference 2023 (Torquay)	21 Nov 2023	TBC		21-22 November, Torquay
External	Desirable	CIPFA Local Pension Board Autumn Training	CIPFA Annual Autumn Series LPB Training	08 Nov 2023	3.5		
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 Annual Conference	PLSA Annual Conference	17 Oct 2023	TBC		Manchester, 17th-19th
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	WPP - Q2 - Responsible Investment	Voting and engagement; Responsible Investment within the WPP sub funds	21 Sep 2023	2		

Training Plan as at 21 November 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
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. Various dates and locations across the country June to September.	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)	

Training Plan as at 21 November 2023

External or CPF event?	Essential or Desirable	Title of session	Training Content	Timescale	Training Length (Hours)	Audience	Comments / Timescales
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)	

Ref	A1	**Date entered in register**		19/09/2017
Status	Open	**Date breached closed (if relevant)**		
Title of Breach	Late notification of joining		**Owner**	SB/AR
Party which caused the breach	CPF + various employers			
Description and cause of breach	Requirement to send a Notification of Joining the LGPS to a scheme member within 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled. Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met. 20/11/18 - (Q2) Staff turnover in August/September reduced number actioned. 29/1/19 The introduction of I-connect is also producing large backlogs at the point of implementation for each employer. I-connect submission timescales can also leave only a few days for CPF to meet the legal timescale. 14/8/19 General data cleansing including year-end is affecting whether legal timescale is met. Individual on long-term sick impacting this. 14/2/22 Previous issues no longer relevant. Current situation is purely due to magnitude of cases being received and potentially employer delays. 31/10/2022 Staff member doing this process had internal secondment, so vacancy now needs to be filled, and then trained. 10/3/2023 New staff member is now being trained so will continue to have impact until fully up to speed.			
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 -Q2 - 794 cases completed / 7% (61) were in breach			
Possible effect and wider implications	- Late scheme information sent to members which may result in lack of understanding. - Potential complaints from members. - Potential for there to be an impact on CPF reputation.			
Actions taken to rectify breach	- Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). - Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. - Training of new team members to raise awareness of importance of time restraint. - Prioritising of task allocation. KPIs shared with team members to further raise awareness of importance of timely completion of task. Actions prior to 2022 not shown, but recorded on the breaches log. 14/02/2022 - Appointed to vacant positions and Modern Apprentices trained in this area. 22/05/2022 - Training now complete. Expecting further reductions in next quarter results as staff members become more efficient. 12/08/2022 - Number of breaches fallen as expected due to completion of training. Recent staff vacancies will impact on this measure going forward as vacancies are filled and training starts again. 31/10/2022 - Number of breaches has increased this quarter. Staff vacancies have been advertised, shortlisting and interviews planned in the coming weeks. Prioritising workloads will be key so the number of cases in breach do not continue to rise. 03/03/2023 - Vacant positions filled and training underway. 24/05/2023 - Training continues and staff members attained a KPI presentation to fully understand implications if timescales not met. 16/08/2023 - Internal staff movement has had a short term impact on this KPI. Expecting reductions in next quarter results as staff members become more efficient.10/11/2023 Additional resource approved at last Committee. Expecting further reduction of breaches once appointed.			
Outstanding actions (if any)	22/05/22 - Analyse new employer reports and escalate to individual employers if required.			
Assessment of breach and brief summary of rationale	10/11/2023 - Number of cases completed has increased slightly and the number in breach has reduced. 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**	AR
Party which caused the breach	CPF + various previous schemes		
Description and cause of breach	Requirement to obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request. Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Only 2 members of team fully trained to carry out transfer cases due to new team structure and additional training requirements. 29/1/19 National changes to transfer factors meant cases were put on hold / stockpiled end of 2018 / early 2019. 31/10/2022 New regulatory requirements have resulted in additional steps having to be taken, which makes process longer and more complex. 10/11/2023 Due to awaiting new GAD guidance, there was a pause in processing for a few months to November 2023.		
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 -Q2 - 111 cases completed / 59% (66) were in breach		
Possible effect and wider implications	- Potential financial implications on some scheme members. - Potential complaints from members/previous schemes. - Potential for impact on CPF reputation.		
Actions taken to rectify breach	17/11/2020 - Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with in a more timely manner. 02/02/2021 - Training to continue. Complex area of work so training taking longer to complete. Training will continue through Q4. 21/05/2021 - Staff members attended external training course. 08/03/2022 - Have investigated how much of the delay is due to external schemes. 22/05/2022 - Additional checks required in transfer process. Schemes taking longer to process therefore knock on effect. Expect this to reduce as industry adjusts to new processes. 12/8/2022 - Ensure team is up to date with legislative and procedural changes. Some of this requirements are out of the Funds control so need to ensure required timescales are communicated effectively. 31/10/2022 - A review of this process is being undertaken as additional steps are now required. 03/03/2023 - Process has been reviewed and improvements expected in the next quarter results. 24/05/2023 - Completed training for required staff members 16/08/2023 - Transfers have been on hold whilst awaiting GAD guidance and relevant factors for calculation. Guidance has now been received and staff are working through backlog. 10/11/2033 - Staff continuing to work through backlog following the pause in processing whilst awaiting GAD guidance.		
Outstanding actions (if any)	None		
Assessment of breach and brief summary of rationale	10/11/2023 - Number in breach is high due to the previous hold on transfers. Number complete is starting to return to normal amount. Number in breach will remain high until all backlog cases have been processed. 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 -Q2 - 478 cases completed / 13% (62) 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. 10/11/2023 - New structure approved and vacant positions within the retirement team have been filled. Further reductions expected once new recruits are fully trained.
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	10/11/2023 - Number of cases completed continues to increase with number in breach remaining consistant. Further improvements expected over coming months when training of new recruits is complete.
Reported to tPR	No

Ref	A6	**Date entered in register**		20/09/2017
Status	Open	**Date breached closed (if relevant)**		
Title of Breach	Late notification of death benefits		**Owner**	SB

Party which caused the breach	CPF
Description and cause of breach	Requirement to calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative). Due to late completion by CPF the legal requirements are not being met. Due to complexity of calculations, only 2 members of team are fully trained and experienced to complete the task. 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 -Q2 - 33 cases completed / 36% (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, improvements expected in coming months. 10/11/2023 - Training still ongoing as also training new staff members on retirement process. A number of these breaches incurred due to being notified of death quite late into the 2 month legal timeframe.
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	10/11/2023 - Number in breach remains too high to amend assessment.
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. 10/11/2023 - advice taken from Aon regarding outstanding contributions and forwarded to Aura or their consideration.
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. 10/11/2023 - Contact Aura if no response by end-November to ensure final contributions are paid.
Assessment of breach and brief summary of rationale	10/11/2023 - Assessment unchanged and breach to remain open until outstanding member contributions for deferred members received.
Reported to tPR	No

Ref	A26	**Date entered in register**	10/11/2023
Status	Open	**Date breached closed (if relevant)**	
Title of Breach	Late transfer out estimate	**Owner**	AR
Party which caused the breach	CPF		
Description and cause of breach	Requirement to provide details of transfer value for transfer out on request within 3 months from date of request (CETV estimate). Note this is the same as breach A3 which was closed previously. Late completion of calculation and notification by CPF due awaiting new GAD guidance (which resulted in a pause in processing for a few months to November 2023).		
Category affected	Active and deferred members		
Numbers affected	2023/24 -Q2 - 103 cases completed / 32% (33) were in breach		
Possible effect and wider implications	- Potential financial implications on some scheme members. - Potential complaints from members/new schemes. - Potential for impact on CPF reputation.		
Actions taken to rectify breach	10/11/2023 - Transfers have been on hold whilst awaiting GAD guidance and relevant factors for calculation. Guidance has now been received and staff are working through backlog.		
Outstanding actions (if any)	None		
Assessment of breach and brief summary of rationale	10/11/2023 - Number in breach is high due to the previous hold on transfers. Number in breach will remain high until all backlog cases have been processed. As this is temporary and not affecting many members, assessment of breach is green.		
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	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	21/06/2023 - Emailed to request outstanding remittances. No response received. See subsequent actions F112-F116
Outstanding actions (if any)	See F116
Assessment of breach and brief summary of rationale	Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.
Reported to tPR	No

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	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	21/07/2023 - Escalated to Deputy Head of Fund, emailed Chair of Marchwiel CC. Chair confirmed the Clerk had been contacted. See subsequent actions F113-F116		
Outstanding actions (if any)	See F116		
Assessment of breach and brief summary of rationale	Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.		
Reported to tPR	No		

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	1 active member		
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.		
Actions taken to rectify breach	See subsequent actions F114-F116		
Outstanding actions (if any)	See F116		
Assessment of breach and brief summary of rationale	Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.		
Reported to tPR	No		

Ref	F114	**Date entered in register**	23 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 July 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113
Category affected	Active members and employer
Numbers affected	1 active member
Possible effect and wider	Unable to verify information being paid or reconcile with member year end information.
Actions taken to rectify breach	06/09/2023 - Email received from clerk explaining absence. 07/09/2023 - Emailed clerk to request outstanding remittances. Response received. 08/09/2023 - Emailed clerk. Response received. See subsequent actions F115-F116
Outstanding actions (if any)	See F116
Assessment of breach and brief summary of rationale	Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.
Reported to tPR	No

Ref	F115	**Date entered in register**			26 Sep 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 August 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114			
Category affected		Active members and employer			
Numbers affected		1 active member			
Possible effect and wider		Unable to verify information being paid or reconcile with member year end information.			
Actions taken to rectify breach		25/09/2023 - Emailed clerk. Response received 28/09/2023. 03/10/2023 - Emailed clerk to request outstanding remittances. No Response received. See subsequent actions F116			
Outstanding actions (if any)		See F116			
Assessment of breach and brief summary of rationale		Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.			
Reported to tPR		No			

Ref	F116	**Date entered in register**			22 Oct 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 September 2023 was not received within the deadline. Previous breaches in 2023/24 are F110, F112, F113, F114, F115			
Category affected		Active members and employer			
Numbers affected		1 active member			
Possible effect and wider		Unable to verify information being paid or reconcile with member year end information.			
Actions taken to rectify breach		06/11/2023 - Escalated to Debbie Fielder as Deputy Head of Fund. Emailed to request outstanding remittances. Response received 09/11/2023. 09/11/2023 - DF replied, requesting outstanding remittances.			
Outstanding actions (if any)		If no response to Deputy Head by 23/11/2023, chase.			
Assessment of breach and brief summary of rationale		Amber - Multiple unresolved missing remittances with risk of recurrence, however effect is limited to a single employer and single active member. Fund is aware of circumstances and wider implications are unlikely.			
Reported to tPR		No			

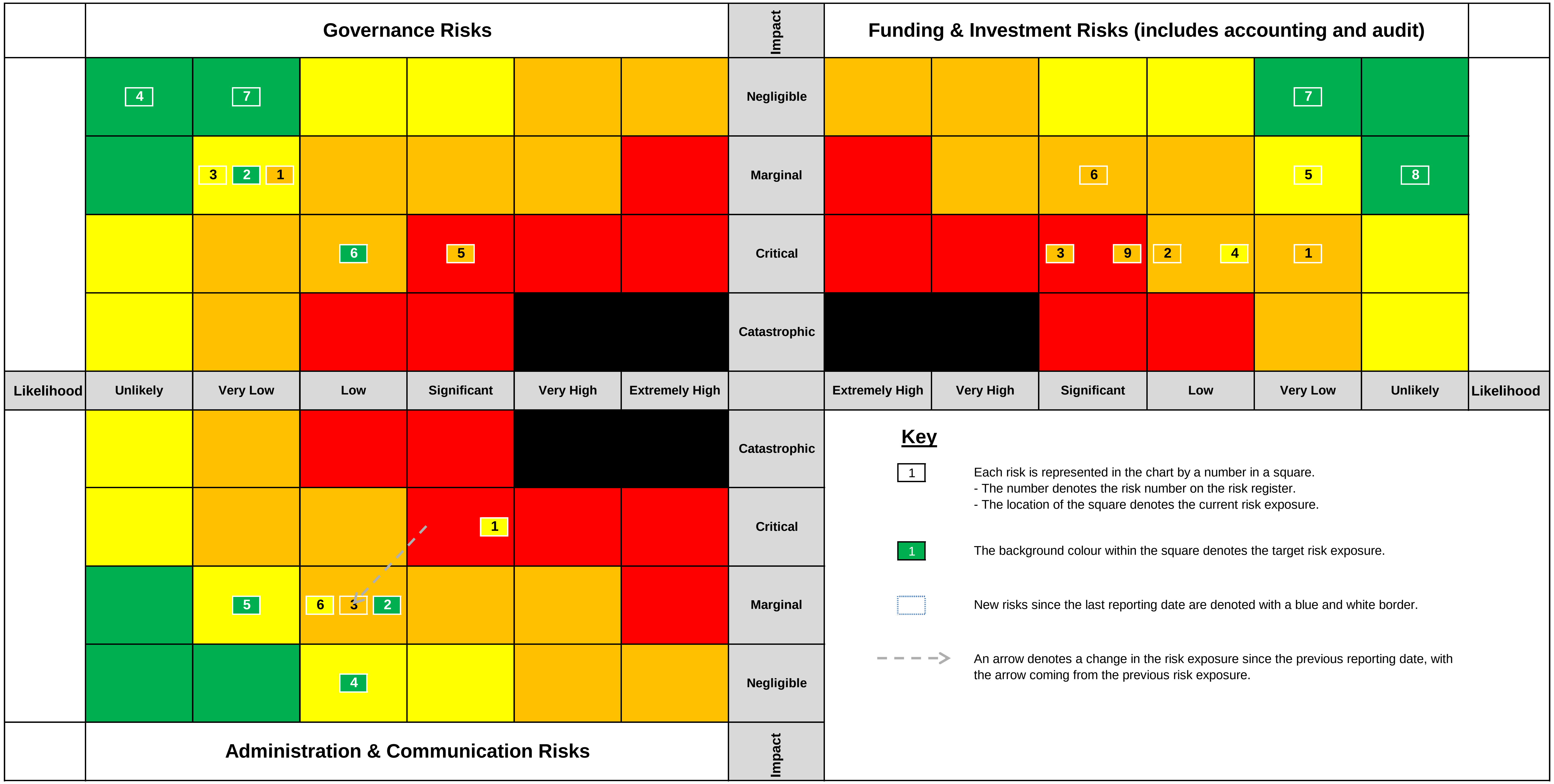
Mae'r dudalen hon yn wag yn bwrpasol

Calendar 2023-24 Nov-23

Month	Date	Day	Committee	Pension Board	Other Events	Location
2023						
Nov						
	29-Nov	Wed	PFC 9.30am - 12.30pm			County Hall (Hybrid)
Dec						
	06-Dec	Tues		PB 10am-3pm		Face-to-face County Hall
	07-Dec	Wed			Annual Employer Meeting	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						
	30-Apr	Tues		PB 10am-3pm		TBC
	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



16 November 2023

<u>Clwyd Pension Fund - Control Risk Register</u>
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	28/02/2024	15/11/2023
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 - Consider results of Training Needs Analysis" including impact of low completion rate. (PL)	Head of CPF	28/02/2024	15/11/2023
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 (PL) 3 - Ensure robust process and due diligence completed for any non WPP "local" investments.	Head of CPF	28/02/2024	15/11/2023
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	28/02/2024	15/11/2023
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 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	28/02/2024	15/11/2023
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) 8 - Administration team restructure undertaken and agreed during 2023	Negligible	Very Low		😐 Current impact 2 too high Current likelihood 1 too high	01/07/2016	Jul 2024	1 - Recruit to vacant administration roles /embed new structure. (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) 4 - Agree and implement plan for retirement of current Deputy.	Head of CPF	28/02/2024	15/11/2023
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	28/02/2024	15/11/2023

Tudalen 378

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 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 August 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, including extending the timescales for implementing the National Pensions Dashboard
- Current Developments and News – including updates on the Fund's McCloud programme, annual allowance and annual benefit statements.
- Monitoring against the Administration Strategy in relation to day-to-day tasks and key performance indicators – showing the position to the end of October 2023
- Recent approvals to three administration related policies under the scheme of delegation
- Resource – including an update on recruitment and retention including implementing the new Administration Structure.

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 quarter two and three of this year is positive for most items with some areas not yet due as illustrated in Appendix 1. Key items to note relating to this quarter's work (Q3) are as follows:
	
	• A2 – McCloud judgement – as usual an update on this programme is included later in this report.
	• A3 – National Pensions Dashboard – as mentioned previously, 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, connection deadline of 31 October 2026, and as a result, the project was put on hold awaiting confirmation of the expected public sector connection deadline. However, it is now proposed to recommence with a view to making some progress given it is assumed that the connection day will be over the next two or three years. The business plan schedule has been updated accordingly to allow this work to continue into 2025/26. 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 – Further information is provided later in the update report. Key areas worked on this quarter include:
	  o the content of the Fund's website continues to be reviewed to ensure clear and concise language is being used.
	  o development of videos for Fund employers which have been loaded to the Fund's website.
	  o development of the annual benefit statement video for active members.
	  o further scrutiny into the number of telephone calls and emails the fund receives is underway and an update will be provided at the February Committee meeting.
	• 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. It is hoped that the majority of data will have been provided to the McCloud Team by the end of Q3 with any queries being resolved in Q4.

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. As data collection is nearing completion, greater focus on data validation and upload is needed to ensure timescales are adhered to and programme milestones are achieved. A link to a recent DLUHC member McCloud factsheet was included in the annual benefit statements (ABS) for active members that were issued in August. Since the last update, it has been announced that 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 will take place on 20 February 2024. The application was dismissed back in March 2023, but the Court of Appeal subsequently granted permission to appeal. Engagement with the software supplier is continuing to ensure changes are implemented in a timely manner. The McCloud Team also attends a weekly webinar hosted by the software providers along with other LGPS funds to share best practice ideas and discuss any issues. <u>McCloud Regulatory Update</u> - On 8 September, the Department for Levelling Up, Housing and Communities (DLUHC) announced the outcome of the consultation on McCloud issues. It also laid before Parliament The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which came into force on 1 October 2023. The making of these regulations is a major milestone in the programme work for implementing the McCloud remedy, in effect allowing LGPS administering authorities to calculate and pay benefits in line with the updated underpin. However statutory guidance is still outstanding in some areas (albeit expected shortly), providing funds with more detail on how to implement the new underpin including advice on prioritising cases. As per The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Fund has an obligation to inform members of any material changes to the scheme regulations within three months of the changes being laid. Following the McCloud regulations coming into force, newsletters are being issued to all members via their preferred method of communication informing them of the changes and signposting them to more information should they require it. HMRC has published a newsletter which detailed the launch of a service for members to calculate their pension adjustment and an interactive guide for members to check if they are affected by the remedy. For the LGPS, they have also issued scheme administrator guidance which includes who the remedy applies to, actions for scheme administrators, compensation, and the tax administration framework. A separate LGPS section covers top-ups to pensions, pension commencement lump sums, trivial commutation lump sums, dependants' pensions, serious ill-health lump

	sums, and lifetime allowance excess lump sums.
1.03	*Other updates* • Administration Team Review – The Pension Administration Manager along with Team Leaders have updated the HR systems following the approval of the new structure at the August Committee meeting, which was a sizeable task given the changes made in the structure. • Benefit Statements – The Technical and Payroll team along with the Communications team have produced the Annual Benefit Statements to all active members within the legal timescales of 31 August via the members' preferred method of communication. • Backdated Pay Award – The 2023 national pay award has now been agreed, and both ELT and the Operations Team are working towards recalculating member benefits and paying arrears of pension to members whilst also re-calculating transfers, refunds etc for affected members using their updated pay. • National Pensions Dashboard - Earlier in November, the LGA pensions team published draft LGPS Pensions Dashboards connection guidance to administering authorities to help identify the steps needed to connect to pensions dashboards. The guidance is in draft form whilst waiting for Money and Pensions Service (MaPS) to publish the staging guidance. The guide illustrates the steps needed to connect to pensions dashboards, including creating a project plan, the various actions to be taken, decisions to be made and statutory timings • Altair Insights – The Technical and Payroll team have been finalising rewriting various Altair reports given new functionality (called "Insights") which will result in improved reporting functionality and efficiencies in collecting monthly management information (including for key performance indicators) as well as introducing efficiencies in other processes. • Monthly budget reporting – Now that the new Pension Fund Accountant and Trainee Accountant have been appointed, new monthly budget reporting has been developed and the Pensions Administration Manager is meeting with them regularly. This has helped with ongoing improved monitoring. • CIPFA 2023 benchmarking exercise – the team have now completed collating and submitting the data needed for the CIPFA annual exercise, which covers a number of areas including key performance indicators, staffing levels and costs. The Committee will be updated with any headlines once the results are available.
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 2022 up to and including October 2023, and how this is split in relation to our three unitary authorities and all other employers.

	The number of incoming cases for August to October was 8,897 (with more than 3,000 in both August and September). This may be partly due to recent engagement with members by issuing the annual benefits statements in August. The number of cases completed by the team since the last update for the same period was 8,858, which is positive given the training to new members of staff that is being undertaken which is detailed further in section 2.01 of this report. The number of open cases reduced slightly to 5,908 at the end of October from 5,958 at the end of July. It is hoped that as the recruitment and training of new staff members progresses, the number of open cases will reduce further.
1.05	Key performance indicators – Appendix 4 shows our performance against the KPIs measured monthly up to and including October 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: • Joiners – 1137 joiner cases have been completed over the last three months which is an increase of 234 compared to the previous 3-month period. • Leavers – 583 leaver cases have been completed which is an increase of 118 cases compared to the previous 3-month period. Performance against the overall (member experience) KPI has also improved compared to previous periods. • Transfers were on hold pending GAD guidance. Guidance has recently been received from GAD, so processing has re-commenced which explains the increase in numbers of transfers both in and out being completed. Understandably numbers are still less compared the last 12-month period. Work continues to catch up on those cases previously on hold. • The key processes that previously caused some concerns, i.e. retirements, leavers and deaths are beginning to show improvement in some areas, including greater numbers of cases being processed compared to the previous quarter for leavers and retirements, and a good improvement in the “overall KPI” for leavers. 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 are no longer working additional hours, this is to gauge what business as usual productivity looks like so that resource can be planned appropriately. The Operations Team continues to prioritise cases where a payment is made either to an individual or a third party. The management of meeting challenging regulatory timescales which apply to significant numbers of cases will continue to be difficult whilst the newly approved team structure is put in place and staff are 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, two have been upheld and one is 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 two that have been upheld, both members have now been awarded tier one ill health retirement (which is an improvement in the benefits they were originally awarded).
    - The one outstanding appeal is also due to the fact that the member is disputing the tier of ill health retirement that they have been awarded.
- One Stage Two appeal was submitted against the employer. The member appealed that they were only awarded tier two ill health retirement. This appeal was rejected.

In relation to cases for 2023/2024:

- There are two Stage One appeals against employers. Both are still ongoing.
    - One is for non-award of ill health retirement.
    - One is due to the fact that the member is disputing the tier of ill health retirement that they have been awarded.
- There is one Stage Two appeal which has been submitted against the employer. The member appealed that they were only awarded tier two ill health retirement. This appeal was rejected.

	2022/2023			
	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	2	6	1
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	2	0	0	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

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: • Officers and advisors have produced several informative videos for employers covering governance, administration and communication, funding and investments and the work of the Employer Liaison Team. These videos are instead of the usual presentations by officers and advisors at the Annual Joint Consultative Meeting (AJCM) and offer employers and scheme member representatives the flexibility to watch at a time convenient for them. An Annual Meeting for employers and scheme member representatives has been arranged for 7 December 2023 to allow them to meet officers and advisors and ask any questions they may have. Committee and Board members have also been invited and the links to the videos are in the invitation. • The video explaining the annual benefit statements for active members was also developed and launched. As mentioned in the last update, the deferred version was launched earlier in the summer. The videos can be found here - https://mss.clwydpensionfund.org.uk/home/help/guidance-videos/
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: • Approximately forty Pension Saving Statements (PSS) were issued to scheme members who exceeded the annual allowance in October, which is within the legal deadline. The annual webinars to support members which are provided by a taxation specialist from Mercer have proved popular again this year. Pension Saving Statement guidance notes have also been sent to all employers. • A request was sent to all employers to help promote Pensions Awareness Week which was 11-15 September 2023. • The website has been updated to include McCloud factsheets and a link to the national LGPS website which will provide more information as and when it becomes available. • Seven 1-2-1 member sessions have taken place and the second Employer Engagement session was held with plans for a further meeting in February. It was also decided that an additional meeting for Community Councils would also be held to specifically review employer policies and discretions. The feedback from the Employer Engagement session was again extremely positive, highlighting the opportunity to discuss challenges in an informal face to face session. • Fourteen update emails have been sent to all employers including information relating to annual benefit statements guidance notes, updated authorised medical practitioner list for considering ill-health retirements and an invitation to the Annual Employer Meeting.
1.9	Appendix 5 provides an updated summary of MSS registered users, which shows that enrolment to MSS has plateaued since the last update with over 53% of the scheme membership having registered. The number of members that have opted for paper correspondence also remains at approximately 18% of the scheme membership.

	For those members registered on MSS, use of the facilities remains high. During the three-month reporting period: • 147 members have requested a retirement pack for their deferred benefit. • 12,143 benefit projections have been calculated. • there have been 449 changes to members' expression of wish details, 365 address updates and 20 bank account changes.
1.10	**Delegated Responsibilities** The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. Since the last meeting, updates have been made to the following CPF policies. • Voluntary Scheme Pays Policy • Statement of Administering Authority Discretionary Policies • Policy for Administration and Communications of Tax Allowances to Scheme Members. The approval of any updates to these policies are delegated due to their technical nature. There are no strategic changes proposed in these policies, and the majority of the changes relate to the Government's review of how pension arrangements are taxed which was announced in the 2023 Spring Budget, and in particular changes to the Annual and Lifetime Allowances. Appendices 6, 7 and 8 show the detail of the delegation requests and the first two policies will be on the Fund's website in due course, but if any Committee Members would like to see the changes that have been made, please let the Pensions Administration Manager know.

2.00	**RESOURCE IMPLICATIONS**
2.01	Since the last update, following the approval of the proposed new administration structure, all temporary positions have been made permanent and additional/existing vacant positions are being advertised. The vacant positions equate to one Full Time Equivalent (FTE) Pension Officer and three FTE Pension Assistant in the Project Team. It has been agreed that both Pension Officers (now permanent members of staff) within the McCloud Team will move to the Project Team removing the need to recruit to these positions. A date for the move will be decided as part of the Business Planning process for 2024/25 in the new year. The Administration Team has had its first application for flexible retirement approved which is extremely positive in helping the team manage succession planning. In this situation there was no cost or resource implications on the Fund. 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). Following the resignation of the Communication and Marketing Officer to work for FCC Social Services, this role will also be advertised once a review of the job description is complete. 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, Project 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 9 provides the dashboard and the extract of administration and communication risks. Since the August Committee, the dashboard has been reviewed and updated and the key changes are: • Risk number 3: Unable to meet legal and performance expectations due to big changes in employer numbers or scheme members or unexpected work increases – the impact score has been changed from Critical to Marginal, and the likelihood score has been changed from Significant to Low. This is due to the fact that it is considered that good plans/action are in place to deal with major changes such as the Pensions Dashboard and McCloud, particularly now that the new Administration Structure has been reviewed which includes a Project Team. • Risk number 6: Service provision is interrupted due to system failure or unavailability – the target risk ratings for this have been changed with the impact score moving from Negligible to Marginal, and the likelihood score has moved from Unlikely to Very Low. This is due to the fact that it is felt that the Fund does rely on its suppliers to have good business continuity/cybercrime controls in place and also that cyber-criminals' techniques are continually evolving. Although the Fund does a lot of work to check and control these elements it is felt that it is very difficult to completely remove the risk of something going wrong in this area. Other changes relate to the internal controls, outstanding actions and target dates, mainly around the progress with the Administration Structure review, the vacant Communications Officer position and the National Pensions Dashboard being delayed.

4.02	The key risk which is furthest from target is risk number 1 - Unable to meet legal and performance. expectations (including inaccuracies and delays) due to staff issues. As mentioned in paragraph 2.01, a new administration team structure is being implemented which will help reduce this risk.

5.00	**APPENDICES**
5.01	Appendix 1 – Business Plan progress 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, 7 & 8 – Urgent Delegations Appendix 9 – 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.

Mae'r dudalen hon yn wag yn bwrpasol

Business Plan 2023/24 to 2025/26 – Q3 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	x	x				
A2	McCloud judgement	x	x	x	x	x	
A3	National Pensions Dashboard	x	x	~~x~~	x	x	xM
Priority Fund-Driven Projects							
A8	Implement the new Communications Strategy	x	x	x	x	x	
Employer Liaison Team (ELT) Projects							
E1	McCloud ELT Services	x	x	x	x	x	

Administration, Communication and Employer Liaison Team Task Descriptions

Essential Regulatory Driven Areas

A1: 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

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: 13 November 2023

AON

High level Programme Plan

Key	Description
	Complete
	On track
	Overdue
	At risk
	Not started

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	Q2 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	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	x	x		
iv. Data validations protocol, draft, approval						x	x	x	x	x	x	x	x		
v. Heywoods' tools - New Insights report, Interface & McCloud data views								x	x	x	x	x	x		
vi. Upload data to Altair, testing, final										x	x	x	x	x	
vii. Further data cleansing / manual input										x	x	x	x	x	
Funding, accounting and cashflows workstream															
i. Agree plan with actuary on funding implications, conts etc - TBC										x	x	x	x		
ii. Delivery - TBC													x	x	
Ongoing administration															
i. Scoping workstream								x			x				
ii. Delivery								x	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	x	x		
iii. Delivery (other)													x	x	x
Programme meetings															
i. Workstream meetings including governance	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ii. PMG / SG meetings		x	x	x	x	x	x	x	x	x	x	x	x	x	x

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 July 2023 – 31 March 2024

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 December 2023 (small employers) - End December 2023 (larger employers excluding Wrexham) - End March 2024 (Wrexham) Following this, data validation process commenced in September 2023 and loaded to Altair / fully validated by end March 2024. The team have carried out testing of the Heywood system over two separate weeks. 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	November 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 (McCloud wording) i. DBS / ABS Pensioner / deferred / active newsletter	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. On 8 September, Government issued its response to the consultation which confirmed the consultation proposals will be implemented. The regulations have now been made and came into force on 1 October 2023.	**In progress**
5. Benefits rectification	Benefits rectification workstream	n/a	Q2 2024	All new leavers are having their benefits calculated in line with the McCloud regulations which came into force on 1 October 2023	**In progress**
6. Programme meetings i. Data workstream (every ~3-4 weeks) ii. Communications workstream (~1-2 per quarter) iii. Benefits rectification & ongoing administration workstream (~1-2 per quarter) iv. PMG (~1-2 per quarter) v. SG (bi-annually)	Programme Manager	n/a	Ongoing	Regular workstream meetings for ongoing administration and benefits rectification workstream now taking place. 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

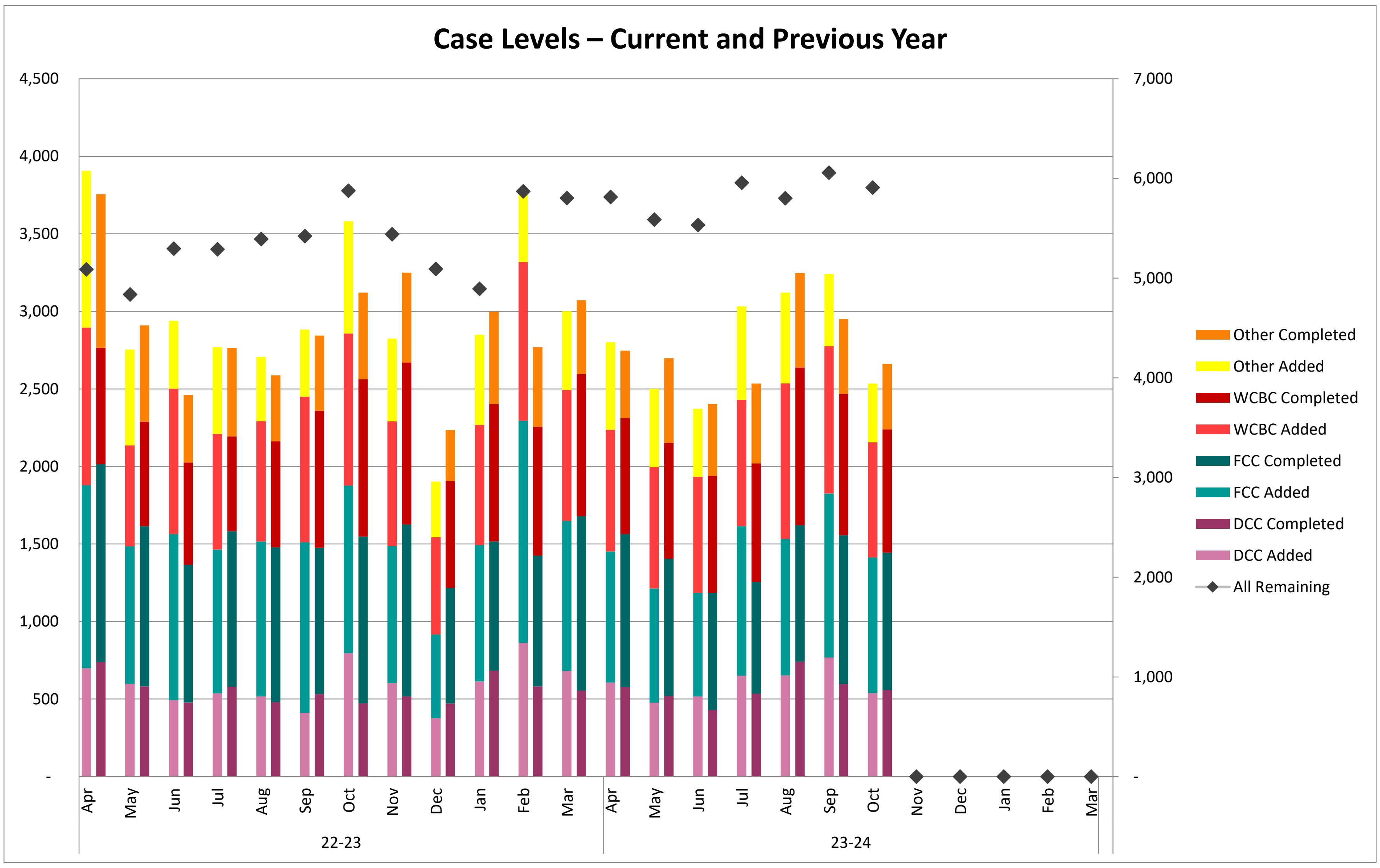
Programme Risks – current risks furthest from target

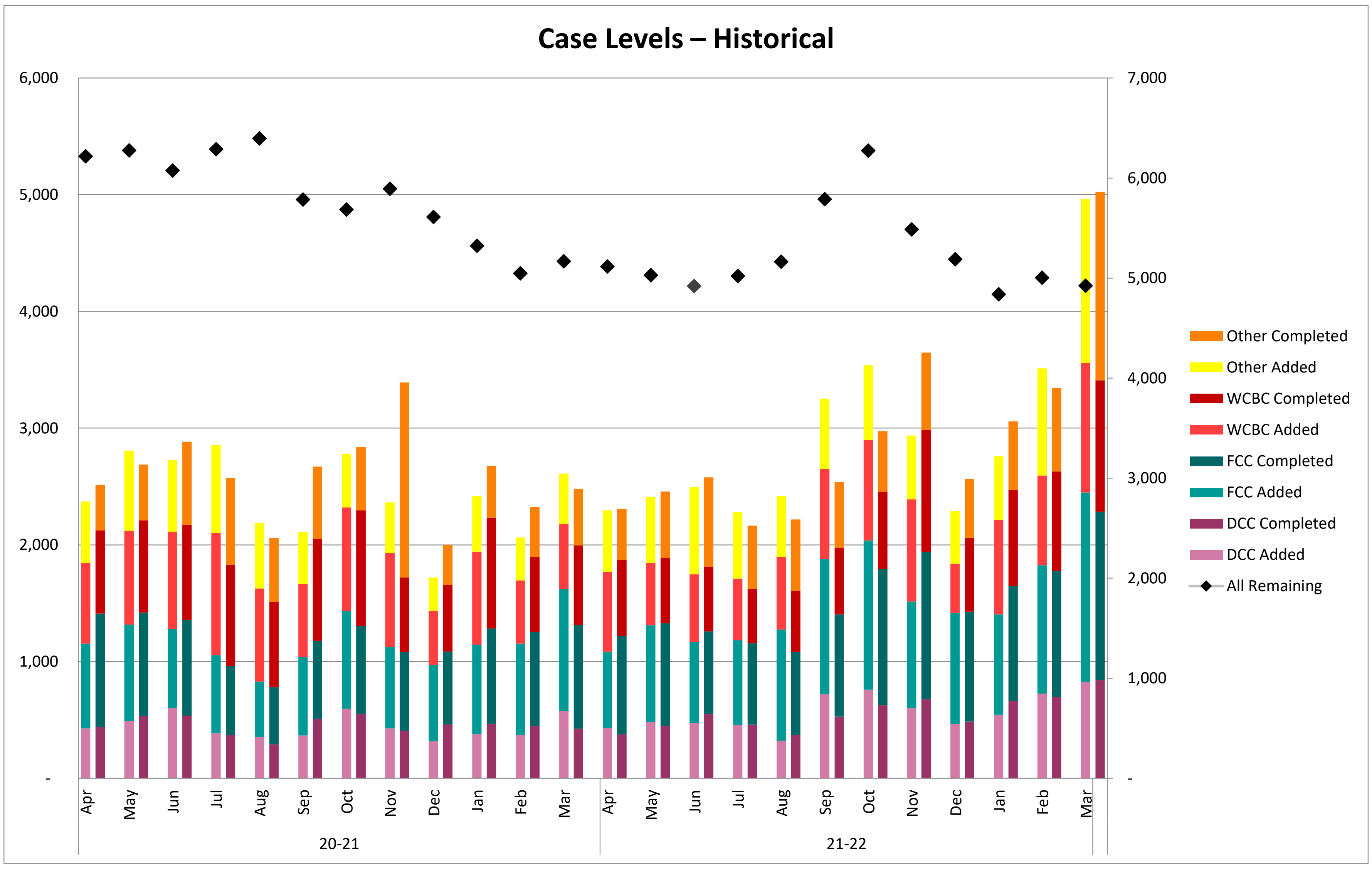
There are several risks that the programme's success criteria will not be achieved – these have been identified by CPF's programme management, are captured in a formal risk log and monitored on an ongoing basis. The current risks that are red and furthest from target are shown on in the table below.

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%)	

**Following the release of the final regulations, the status risk 13 is expected to be significantly downgraded at the next PMG meeting such that it will no longer be shown as a red risk.*

Aon plc (NYSE:AON) exists to shape decisions for the better - to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.


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
-
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
22-23
23-24


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
-
Other Completed
Other Added
WCBC Completed
WCBC Added
FCC Completed
FCC Added
DCC Completed
DCC Added
All Remaining
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
20-21
21-22

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.

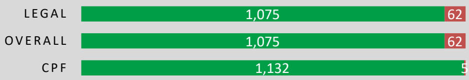
This is illustrated further below.

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gweinyddwyd gan / Administered by Cyngor Sir y Fflint / Flintshire County Council

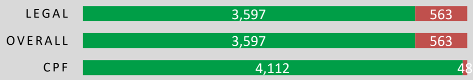
Key Performance Indicators - Executive Summary - to October 2023

Joiners - Last 3 months



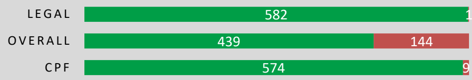
	Change in % completed within KPI	Change in number completed
LEGAL	4%	234
OVERALL	4%	234
CPF	0%	234

Joiners - Last 12 months



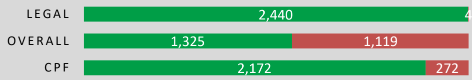
	Change in % completed within KPI	Change in number completed
LEGAL	-2%	-57
OVERALL	-2%	-57
CPF	-1%	-57

Leavers - Last 3 months



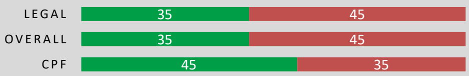
	Change in % completed within KPI	Change in number completed
LEGAL	0%	118
OVERALL	19%	118
CPF	-1%	118

Leavers - Last 12 months



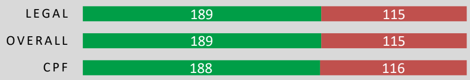
	Change in % completed within KPI	Change in number completed
LEGAL	0%	477
OVERALL	-8%	477
CPF	-11%	477

Transfers In - Last 3 months



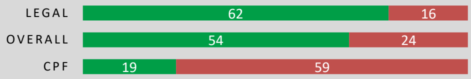
	Change in % completed within KPI	Change in number completed
LEGAL	6%	16
OVERALL	6%	16
CPF	3%	16

Transfers In - Last 12 months



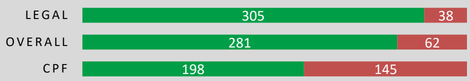
	Change in % completed within KPI	Change in number completed
LEGAL	-24%	-49
OVERALL	-24%	-49
CPF	-23%	-49

Transfers Out - Last 3 months



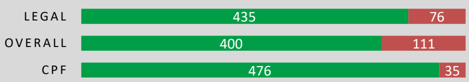
	Change in % completed within KPI	Change in number completed
LEGAL	32%	40
OVERALL	46%	40
CPF	16%	40

Transfers Out - Last 12 months



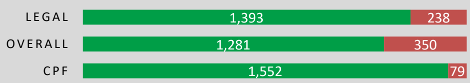
	Change in % completed within KPI	Change in number completed
LEGAL	-10%	-206
OVERALL	-14%	-206
CPF	-29%	-206

Retirements - Last 3 months



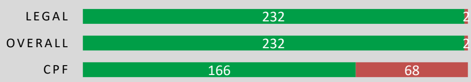
	Change in % completed within KPI	Change in number completed
LEGAL	-3%	80
OVERALL	-2%	80
CPF	-2%	80

Retirements - Last 12 months



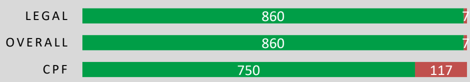
	Change in % completed within KPI	Change in number completed
LEGAL	1%	-9
OVERALL	6%	-9
CPF	3%	-9

Quotations - Last 3 months



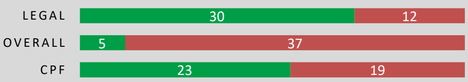
	Change in % completed within KPI	Change in number completed
LEGAL	0%	30
OVERALL	0%	30
CPF	-21%	30

Quotations - Last 12 months



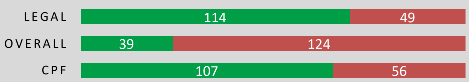
	Change in % completed within KPI	Change in number completed
LEGAL	1%	107
OVERALL	1%	107
CPF	-1%	107

Deaths - Last 3 months



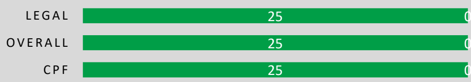
	Change in % completed within KPI	Change in number completed
LEGAL	2%	-1
OVERALL	-16%	-1
CPF	-1%	-1

Deaths - Last 12 months



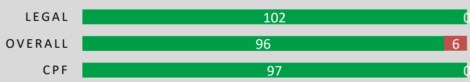
	Change in % completed within KPI	Change in number completed
LEGAL	-7%	-49
OVERALL	-2%	-49
CPF	-3%	-49

Divorce Quote - Last 3 months



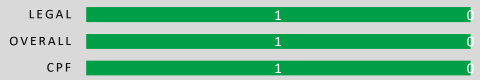
	Change in % completed within KPI	Change in number completed
LEGAL	0%	-7
OVERALL	19%	-7
CPF	0%	-7

Divorce Quote - Last 12 months



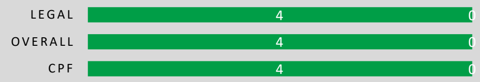
	Change in % completed within KPI	Change in number completed
LEGAL	0%	-12
OVERALL	-6%	-12
CPF	2%	-14

Divorce Share - Last 3 months



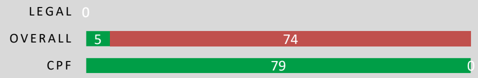
	Change in % completed within KPI	Change in number completed
LEGAL	0%	0
OVERALL	0%	0
CPF	0%	0

Divorce Share - Last 12 months



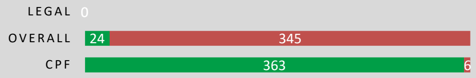
	Change in % completed within KPI	Change in number completed
LEGAL	0%	0
OVERALL	0%	0
CPF	0%	0

Refund - Last 3 months



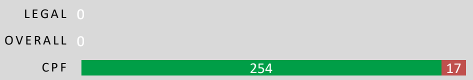
	Change in % completed within KPI	Change in number completed
OVERALL	-1%	-27
CPF	1%	-27

Refund - Last 12 months



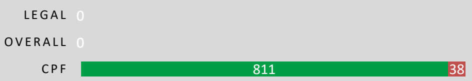
	Change in % completed within KPI	Change in number completed
OVERALL	-4%	-88
CPF	12%	-88

Retirement Lump Sum - Last 3 months



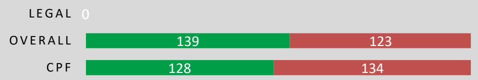
	Change in % completed within KPI	Change in number completed
CPF	-2%	44

Retirement Lump Sum - Last 12 months



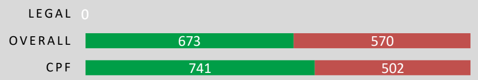
	Change in % completed within KPI	Change in number completed
CPF	1%	-249

Deferred Benefits - Last 3 months



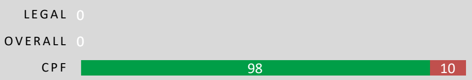
	Change in % completed within KPI	Change in number completed
OVERALL	2%	-123
CPF	-6%	-123

Deferred Benefits - Last 12 months



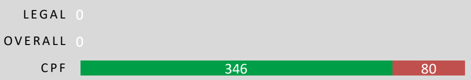
	Change in % completed within KPI	Change in number completed
OVERALL	-9%	-231
CPF	-3%	-231

Death Acknowledgment - Last 3 months



	Change in % completed within KPI	Change in number completed
CPF	10%	6

Death Acknowledgment - Last 12 months

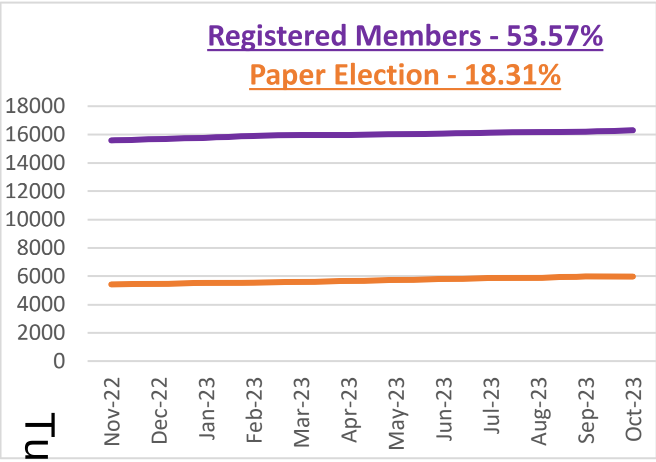


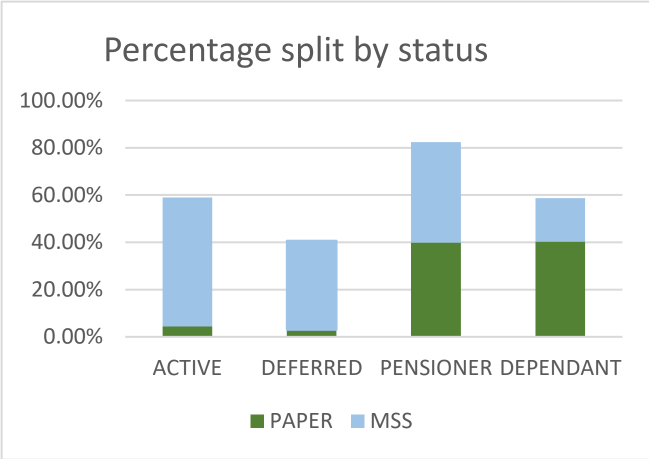
	Change in % completed within KPI	Change in number completed
CPF	0%	-14

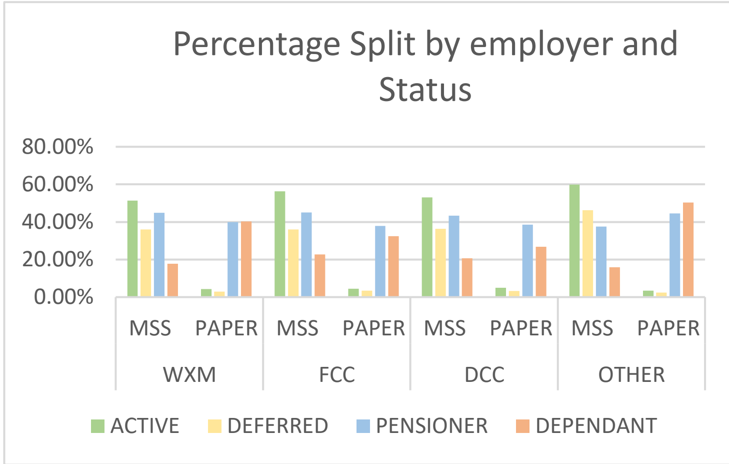
Local Government Pension Scheme

Cronfa Bensiynau CLWYD Pension Fund

Member Self-Service: 01/08/2023 – 31/10/2023







Update from 01/08/2023 – 31/10/2023

As at 31/10/2023 53.57% of our members have registered for MSS. This means that the percentage of registered members has increased by 0.29% since our last update.

As at 31/10/2023 18.31% of our members have opted for paper correspondence. This percentage has increased by 0.21% since our last update.

The Clwyd Pension Fund issued the Annual Benefit Statements (ABS) in August 2023. These were issued either by post or electronically depending on members' communication preference. Our in-house ABS guidance video was launched on our website to help members understand the information on their pension statement.

In October 2023 we also issued Pension Saving Statements (PSS) to those members who have either exceeded or come close to exceeding their Annual Allowance limit. These statements have also been issued either by post or electronically depending on members' communication preference. Online guidance notes are available on our website to help members better understand annual allowance, as it is such a complex topic.

Statistics between 01/08/2023 – 31/10/2023: (92 days)

Contact Us Tasks

488	**MSSKEY Key requests**
147	SSFCASE (pay deferred)
77	MSSENQ Enquiry tasks
7	MSSEST Estimate tasks
43	MSSRET Retirement tasks
27	MSSTVT Transfer tasks
301	**Contact Us 3.27 p/day)**
365	**MSSADD Address update**
20	**Bank details updated**

Benefit Projections

12,143 benefit projections calculated

Avg 131.99 per day

Expression of Wish

449 changes of expression of wish

4.88 per day

Mae'r dudalen hon yn wag yn bwrpasol

Cronfa Bensiynau
CLWYD
Pension Fund

CLWYD PENSION FUND

SCHEME OF DELEGATION

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

<table>
<tr><td rowspan="3">DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):</td><td>Delegation:</td><td>Determining the Pension Fund’s aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund.

Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.

• Voluntary Scheme Pays Policy</td></tr>
<tr><td>Delegated Officer(s):</td><td>PAM in consultation with HCPF</td></tr>
<tr><td>Communication and Monitoring of Use of Delegation</td><td>Ongoing reporting to PFC for noting

Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.</td></tr>
</table>

SUBJECT:	Approval of minor changes to the CPF Voluntary Scheme Pays Policy.

BACKGROUND:

This request asks for the approval of minor changes to the CPF Voluntary Scheme Pays Policy. It includes the changes to Annual Allowance announced in the Government's Spring Budget on 15 March 2023.

Scheme Pays Policy

Annual Allowance is one of the limits set by the Government in relation to the level of an individual's pension savings, known as pension input, before a tax charge becomes due to HM Revenue and Customs (HMRC).

Scheme members are normally required to pay their tax charges directly to HMRC, however, where the member exceeds the standard annual allowance (currently £60,000) and their annual allowance charge in a tax year exceeds £2,000, members are entitled to elect to meet some or all of the tax charge from their future pension benefits. This is known as the Mandatory Scheme Pays (MSP) option. This option requires the Pension Fund to pay the tax charge on the member's behalf and then to reduce their future pension benefits accordingly.

Local Government Pension Scheme (LGPS) administering authorities also have the power to grant a member's request to pay their annual allowance charge even if they do not meet the criteria for MSP; this mechanism has become known as Voluntary Scheme Pays (VSP).

Voluntary Scheme Pays can apply where the member does not have an entitlement to MSP, and the member may ask the Pension Fund to pay their annual allowance tax charge on a voluntary basis via the Voluntary Scheme Pays option with a corresponding reduction to their LGPS benefits. This would include those members adversely affected by HMRCs tapering rule (i.e. members with taxable income in excess of £260,000 in any year which is likely to mean they have an annual allowance of less than £60,000) and could also be used where the member's tax charge is less than £2,000. This, however, is subject to the Administering Authority's approval which is discretionary. There are a number of other circumstances where voluntary scheme pays would be permitted.

The Fund put in place a VSP policy in 2019 to allow voluntary scheme pays in circumstances where it will not result in a major amount of additional work for the CPF Administration Team and where the charge purely relates to membership in CPF (i.e. not also relating to other pension arrangements). It is considered this approach is fair to the scheme member and the exceptions are justifiable.

This policy permits voluntary scheme pays in the following circumstances:

- A member is subject to the Tapered Annual Allowance or the Money Purchase Annual Allowance and has a tax charge of more than £2,000 relating to input in the Clwyd Pension Fund, and the irrevocable election is

Cronfa Bensiynau CLWYD Pension Fund

received by 30th November following the end of the tax year in which the input arises .

- A member meets all the criteria for Mandatory Scheme Pays but was unable to meet the 31st July deadline due to an administrative error or omission by the Clwyd Pension Fund, (i.e. the member was not notified of their pension input in time for them to meet the deadline). In these circumstances the application for Voluntary Scheme Pays should be made within 2 months of the member receiving notification of their pension input.

The policy also outlines some situations where voluntary scheme pays should not be permitted. In particular it is not considered practical to allow voluntary scheme pays where charges are partly due to pensions growth in other schemes, as this could result in complications and a large amount of administration compared to CPF only cases. The excluded scenarios are as follows:

- The member's tax charge relating to pension input in the LGPS in England & Wales is less than £2,000, but they have applied for Voluntary Scheme Pays because their total tax charge when taking input from other arrangements into account is more than £2,000.
- The member has a Mandatory Scheme Pays right in respect of pension input in the LGPS in England and Wales, but has also asked the Fund to pay a tax charge relating to input in a separate pension arrangement.
- The member's tax charge is less than £2,000.
- A member did not meet the 31st July deadline for applying for Mandatory Scheme Pays and this failure to meet the deadline was **not** due to any administrative error or omission by Clwyd Pension Fund.

The VSP Policy is subject to review every three years and so was due for review during 2022. Due to competing priorities it has been delayed slightly.

Officers have now considered the policy and a small number of changes are recommended to be made as shown with tracked changes in the attached draft updated version. The main changes are:

- Ensuring all references to financial thresholds and dates are up to date
- Adding a new item to the list of exceptions where VSP cannot be used which is where “All of a member’s retirement benefits have been put into payment.”
- Adding references to where there has been a change relating to a Pension Input Period to clarify that the deadline for applications for Voluntary Scheme Pays is within 2 months of the notification of the amended pension input
- Other small changes to grammar.
- To annual allowance thresholds as announced in the Government’s Spring Budget.

RECOMMENDATION:

To agree to the tracked changes to the Fund’s Voluntary Scheme Pays Policy as shown on the attached version.

Cronfa Bensiynau CLWYD Pension Fund

CLWYD PENSION FUND

SCHEME OF DELEGATION

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):	**Delegation:**	Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund. Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document. • Policy for Administration and Communication of Tax Allowances to Scheme Members -
	Delegated Officer(s):	PAM in consultation with HCPF
	Communication and Monitoring of Use of Delegation	Ongoing reporting to PFC for noting Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.

Cronfa Bensiynau
CLWYD
Pension Fund

SUBJECT:	Approval of minor changes to the CPF Policy for Administration and Communication of Tax Allowances to scheme members.
BACKGROUND:	

This request asks for the approval of minor changes to the CPF Policy for Administration and Communication of Tax Allowances to scheme members, mainly due to the changes to the thresholds for Annual Allowance and Lifetime Allowance announced in the Government's Spring Budget on 15 March 2023.

Background to the policy

The Annual Allowance and Lifetime Allowance are limits set by the Government in relation to ensuring that pension scheme members pay tax charges where they benefit from large pension savings, either on an annual basis (the Annual Allowance or AA) or at the point of retirement or another crystallisation (the Lifetime Allowance or LTA). Originally very few pension scheme members were impacted by the thresholds, however the amount of the AA and LTA thresholds have decreased significantly. As a consequence, year on year, more members are brought into scope of a potential tax charge.

Given the complexity of calculations and rules as to how benefits are compared with the thresholds, the Fund previously developed this policy to clarify how this complex area of pensions will be communicated to scheme members and how the Pensions Administration team will support the members of the Fund.

The policy's key purpose is to provide a clear framework setting out how the Fund will communicate information relating to tax allowances to scheme members.

The ultimate objectives of the Policy are to:

- provide regular information to all scheme members on the AA and LTA thresholds, including where further information may be found
- identify specific groups of individuals who may be impacted by either of the thresholds in the near future, and highlight this risk to them
- communicate with individuals where it appears that they have exceeded either of the thresholds, providing information beyond the minimum legal responsibilities to assist the scheme member in fully understanding the impact on them.

The Policy outlines principles for how communications will be made to scheme members mainly focussed on the following three areas:

- Generic communications to all scheme members, via the website/newsletters/alerts and on Annual Benefit Statement (ABS) for all active members
- Targeted communications for those members at risk of breaching an allowance including letters with the offer of workshops and one-to-one guidance sessions, and

Cronfa Bensiynau
CLWYD
Pension Fund

- For those members that do exceed a threshold and therefore may be subject to a tax charge, the communications they will receive highlighting what has happened and how to deal with it.

The Policy clearly highlights that members of staff employed by the Fund are not financial advisers and they cannot provide financial advice.

Policy review

The Policy for Administration and Communications of Tax Allowances to scheme members is subject to review every three years and so was next due for review during 2025. However, due to the changes to tax thresholds announced in the March 2023 budget it has been reviewed earlier following this. The relevant changes announced in the Government's Spring Budget that impact the Policy include:

- The Lifetime Allowance is due to be abolished altogether from 2024, but still exists for 2023/24 but the tax charge has fallen away. However, generally speaking the action required by the Fund in 2023/24 is still the same, i.e. the LTA still needs to be calculated.
- The Annual Allowance was increased from £40,000 to £60,000 from 6 April 2023
- The Tapered Annual Allowance (a reduced allowance for members with higher earnings) was increased from £4,000 to £10,000 (with a rise in the "adjusted income threshold", which is used to assess those to whom the tapered allowance might apply, to £260,000).

The recommended updates incorporating these changes are shown with tracked changes in the attached draft updated version. In addition, there are other small changes to grammar and wording.

RECOMMENDATION:
To agree to the tracked changes as shown on the attached version of the Fund's Policy for Administration and Communications of Tax Allowances to scheme members.

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND

SCHEME OF DELEGATION

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DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):	**Delegation:**	Approving administering authority discretions policy (including the Discretionary Policy) other than in relation to: • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the two preceding rows.
	Delegated Officer(s):	HCPF and either CFM or CMPOD (having regard to the advice of the rest of the PAP)
	Communication and Monitoring of Use of Delegation	Copy of policies to be circulated to PFC members once approved.

SUBJECT:	Approval of a CPF Statement of Administering Authority Discretionary Policies
BACKGROUND:	
This request asks for the approval of a CPF Statement of Administering Authority Discretionary Policies. **Statement of Administering Authority Discretionary Policies** There are a number of provisions in the Local Government Pension Scheme Regulations 2013 (as amended) and related legislation where administering authorities have some choice (or discretion) as to how matters are dealt with. There	

is a legal requirement to publish a statement of policy in relation to some of these, and it is good practice to collate a written statement of policy decisions in relation to all provisions. This provides transparency to scheme members and employers, as well as ensuring all officers work within agreed policies and procedures on a day to day basis.

The approaches to dealing with these areas of discretion vary depending on the nature of the area and include:

- areas where a separate full written policy is agreed by the Pension Fund Committee (such as the Funding Strategy Statement and Administration Strategy) and the relevant strategy should therefore, be referred to in exercising these particular discretions)
- areas where a clear approach is to be followed
- areas where a named officer(s) has delegated authority to consider the matter as each case arises (sometimes with regard to advice from the Fund's advisers)
- a combination of the last two points.

A full statement of discretionary policies was last developed and published in April 2019 and it was due to be reviewed in Q1 of 2022/23 but other priorities has meant it has been delayed. The attached statement lists all the relevant areas of policy and the recommended changes for this review are shown as tracked changes.

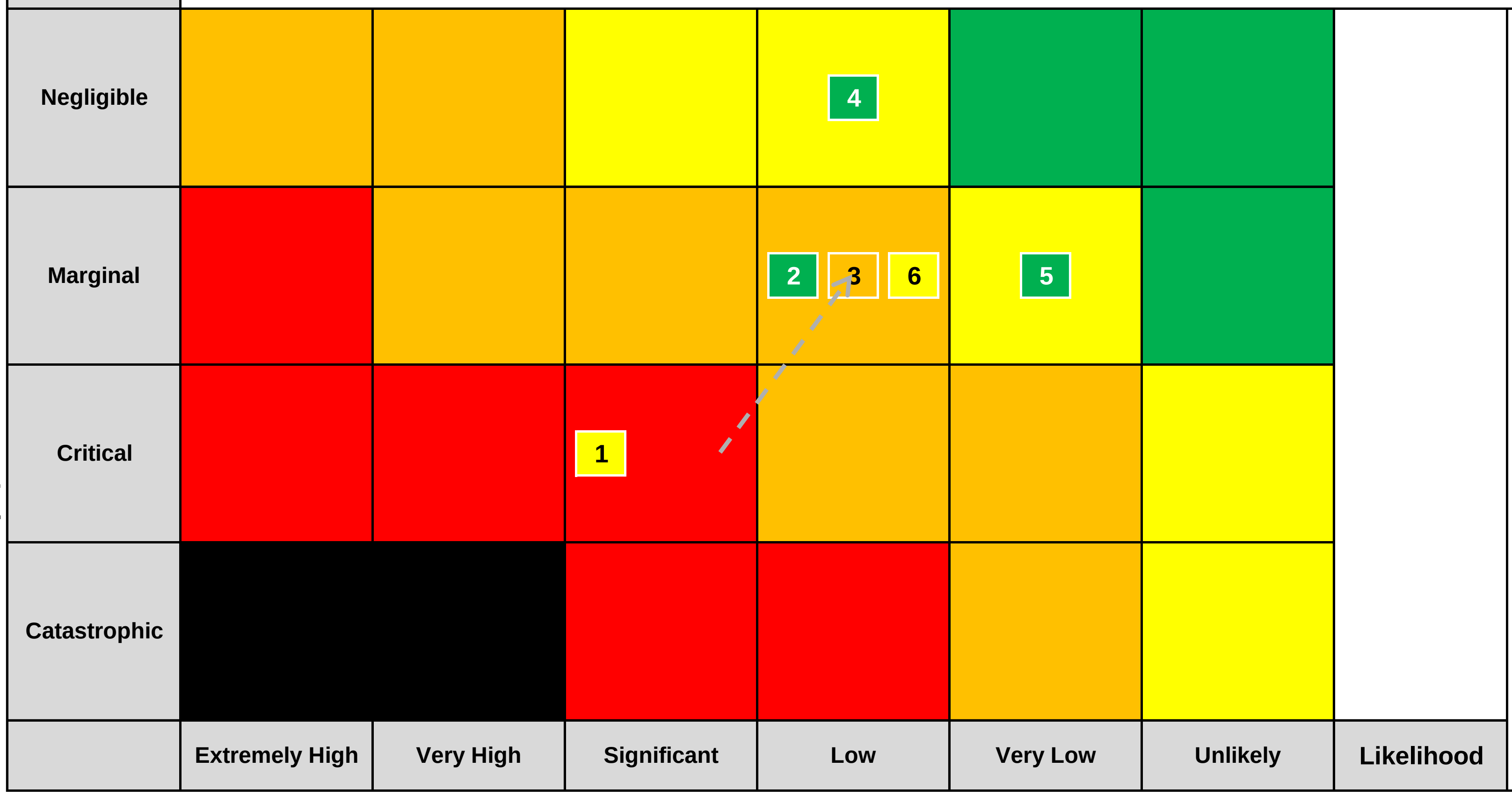
A key change to the Statement is that it now includes discretions regarding employer exit credit and flexibilities, namely references 20, 22, 23 and 24. Most of the other changes are minor and include correcting the job titles of all fund officers and some grammar and wording changes. However there are some changes made to clarify the treatment (particularly in relation to administration matters) and to incorporate recently approved new Fund policies or strategies (such as the Anti-Corruption and Fraud Strategy).

Once the tracked changes version of the statement is approved, it will be converted into the Fund's new branding.

RECOMMENDATION:
To agree to the tracked changes to the Statement of Administering Authority Discretionary Policies as drafted.

Administration and Communication Risks Heat Map and Summary

Administration & Communication Risks



Key

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.

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.

16 November 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 12 - Fundamental review of Administration Team structure in summer 2023, having regard to trends in workflow and forecasting to the future.	Negligible	Low		😐 Current impact 2 too high Current likelihood 1 too high	31/10/2021	Jun 2024	1 - Implement new staff structure incl recruitment (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	28/02/2024	15/11/2023
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	28/02/2024	15/11/2023
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	Marginal	Low		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 8 - Fundamental review of Administration Team structure in summer 2023, having regard to trends in workflow and forecasting to the future.	Marginal	Low		🙂	27/08/2018	Apr 2024	1 - Implement new staff structure incl recruitment (KW).	Pensions Administration Manager	28/02/2024	15/11/2023
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 and access to consultant's communications specialists during any gaps in this resource/expertise. 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 business plan (KM/KW) 2 - Recruit to vacant Comms Officer position and assess any gap in skills post recruitment (KW)	Pensions Administration Manager	28/02/2024	15/11/2023
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	Jun 2024	1 - Appoint pension dashboard ISP in line with new national dashboard timetable (KW)	Pensions Administration Manager	28/02/2024	15/11/2023
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	Marginal	Very Low		😐 Current likelihood 1 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	28/02/2024	15/11/2023

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2023
Report Subject	Investment and Pooling Update
Report Author	Graduate Investment Officer

EXECUTIVE SUMMARY

An Investment and Pooling Update is on each quarterly Committee agenda.

There is a separate agenda item for Funding and Investment Performance.

This update includes matters that are for noting which include:

- Progress with the items on the Business Plan 2023/24.
- Wales Pensions Partnership (WPP)
- Responsible Investment Update
- Private Markers Update
- Additional Voluntary Contributions Review (AVC)
- Delegated responsibilities – actions taken by Officers since the last Committee meeting.
- Risk register – there have been no changes to risk levels 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) – This will be finalised as part of the Investment Strategy Review referred to in agenda item 4. • F2 (Climate Change, TCFD and TNFD) – Refer to agenda item 6. • F3 (UK Stewardship Code) – Completed. • F4 (LGPS Investment Related Developments) – Responded to all consultations. • F5 (Asset Pooling) – All tasks are on target.
1.02	**Wales Pension Partnership (WPP)** *Joint Governance Committee (JGC)* The last WPP JGC meeting was held on 20 September 2023. The draft minutes of that meeting are attached as Appendix 2. The JGC considered or approved the following: • An update from the Host Authority confirmed the Operator procurement process remains on target. The Fund's Deputy Head sits on the procurement evaluation panel and WPP will seek approval from the Committee to appoint the successful candidate in March 2024. • A review of the Training & Resources and Communication Risks was updated to reflect the changes made during Q3 2023. • The new Breaches and Errors Policy was approved and uploaded to the WPP website. • The sale of Link Fund Solutions to Waystone was completed in October 2023. • An update on WPP's liquid assets' investment performance was provided to June 2023 and that for. Clwyd Pension Fund investments held during the year to 30 June 2023 is detailed in the table below.

Mandate	Inception	Current Net Asset Value	Perform-ance	Bench mark
Global Opportunities	Feb 19	N/A	11.36%	10.53%
Multi Asset Credit	Aug 20	c.£231m	0.08%	5.26%
Emerging Markets	Oct 21	c.£109m	(8.19)%	(6.80)%

	The summary table will be updated in future to reflect the June 2023 transition from Global Opportunities Equity to Sustainable Active Equity. The Sustainable Active Equity valuation as at 30 September 2023 was c.£188m. Further information on the topics highlighted above is available in the full public agenda here.
1.03	**Responsible Investment Update** Clwyd Pension Fund *The Pensions Management Institute (PMI)* The Fund has produced a video showcasing our impactful investments in Wales. This visual presentation focuses on our substantial £50 million

	commitment to the development of Clean Energy Infrastructure in collaboration with Capital Dynamics, and our partnership with Development Bank Wales, highlighting our commitment to investing in Small and Medium Enterprises (SMEs) in Wales. The video was featured at the Pensions Management Institute's conference on 23 November 2023, and it is intended that the 5-minute video will be shown at Committee. *PLSA Pension Scheme Investment in Illiquid Assets: Case Studies* PLSA asked LGPS funds to provide case studies of their investments in private markets. The Fund responded with details of its 6% allocation to local and impact investments and is pleased to have been included in the final publication, alongside other prominent LGPS funds. The Case Studies are available here. *FRC UK Stewardship Code 2020* Following the August 2023 Committee, the Fund submitted its Stewardship Code 2020 ahead of the October 2023 deadline, reaffirming its commitment to responsible investment practices. Having achieved signatory status last year, the Fund actively seeks to foster transparent, accountable, and sustainable stewardship of assets. The Fund aims to uphold robust governance, promote long-term value, and advance ethical business practices. The result of the Fund's submission will be communicated once the Stewardship Code assessment process concludes in February 2024. *Task Force on Climate-Related Financial Disclosures (TCFD)* The Fund, with support from its investment consultants Mercer, has drafted its TCFD report to enhance transparency and refine how it communicates, evaluates, and handles climate-related risks and opportunities. It is believed that the report will assist stakeholders to understand the potential impact of climate change on the Fund, emphasizing informed decision-making and a dedication to long-term sustainability in all activities. Additional details on this matter can be found in agenda item 6, along with an infographic for scheme members and employers.
1.04	<u>WPP</u> *Responsible Investment Working Group (RIWG)* The Fund's key priorities within its Responsible Investment (RI) policy include enhancing reporting on RI matters. The Responsible Investment sub-group (RIWG) has met on three separate occasions since the Fund's last Committee meeting in August 2023. The next meeting is scheduled for 22 February 2024. The main areas discussed during the last meeting were: • Stewardship themes – these were finalised ahead of WPP's Stewardship Code submission. • Climate and ESG risk reports for the Multi Asset Credit and Emerging Markets Equity sub-funds were presented to the Constituent Authorities.

	• Robeco provided an update on the voting and engagement work they have undertaken during 2023. Responsible Investment (RI) reporting has now been developed by WPP. The RI report for Q3 2023 summarises WPP's sub-fund stock exposures, including voting and engagement, securities lending, climate, and ESG metrics and is included in Appendix 3. The report has been provided to each Constituent Authority and includes the three sub-funds in which Clwyd Pension Fund is invested. As at 30 September the Fund was not invested in the Global Opportunities sub-fund but it is included for reference as the report includes engagement with companies held within that sub-fund during the period. The Global Opportunities sub-fund will not be included in future as the Fund has now fully divested. The private quarterly WPP Engagement Report and Securities Lending Report will continue to be directly shared with committee members. *Securities Lending* Securities Lending involves the owner of shares or bonds transferring their ownership temporarily to a borrower. In return, the borrower transfers other shares, bonds, or cash to the lender as collateral, and pays a borrowing fee. Stock lending can, therefore, generate income and incrementally increase fund returns for investors. Northern Trust are responsible for managing any Securities Lending within the WPP sub-funds on behalf of the WPP. Quarterly Securities Lending reports are presented at each WPP Joint Governance Committee (JGC). The results below were presented to the JGC in September 2023. The total amount of WPP net revenue for Securities Lending during the quarter to June 2023 was £248,214. 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.

WPP Sub-fund	WPP Net Revenue	CPF Net Revenue
Global Opportunities Fund (4%)	£101,247	£4,050
Emerging Markets Equity (33%)	£6,681	£2,205
Multi Asset Credit (35%)	£10,485	£3,670
Total	£118,413	£9,925

	The Fund transitioned from WPP Global Opportunities to WPP Sustainable Active Equity Fund in June 2023, which will not utilise the Securities Lending function.
1.06	**Private Markets Update** All future commitments to Infrastructure, Private Debt, and Private Equity investments will be made through WPP by the appointed Allocators. The Fund's strategic allocation to these asset classes is 19%. Mercer will continue to assist Fund Officers in identifying Local and Impact investments, which has a strategic allocation of 6%, until WPP can accommodate the Fund's ambitions in this area. The Fund continues to explore opportunities for investment in the local Clwyd area.

1.07	Clwyd Pension Fund Upon Mercer's recommendation, the Fund has undertaken a new Private Debt investment since the last Committee, which was agreed as part of the 2022/23 commitment plan before the WPP Allocator was operational. **Asset Class** / **Fund** / **Commitment**: Private Debt / Ambienta, SCO I / €12m (£10m) Ambienta is a new manager and a recent addition to the Fund's relationships. As a European sustainability-focused alternative asset manager, they obtained B Corp certification in 2019. The Sustainable Credit Opportunities fund is designed to invest in sustainable private corporate credit in Europe.
1.08	WPP The following commitments have been agreed for the first Private Markets vintages with the WPP Allocators from April 2023. Russell Investments – Private Credit – Committed £50m – Deployed c.£6.1m GCM Grosvenor – Infrastructure – Committed £64m – Deployed c.£7.4m Schroders – Private Equity – Committed £60m – Deployed c.£8.9m The WPP Allocators are tasked with appointing private market managers. All three Allocators have now started to deployed capital on behalf of WPP within their respective asset classes. The Real Estate tender exercise closed on 17 November 2023, and the process to appoint a Property Allocator is now underway.
1.09	**Other Matters** *2023 Additional Voluntary Contribution (AVC) Review Update* Every year, Mercer as the Fund's Investment Consultant, carries out a review of the Fund's AVC arrangements which are with Prudential and Utmost. The review looks at the Fund's AVC providers and considers the AVC valuations, performance and charges, and background information on the AVC providers.
1.10	The findings of the review are included in the report at Appendix 4, and the main points are: - Out of the Fund's 14 unit linked AVC holdings held with Prudential, eight outperformed their respective benchmarks over the 1 year period to the 31 March 2023, and ten outperformed their benchmarks over the 3 and 5 year periods, noting that one fund did not have performance over the 5 year period due to the date it was incepted. - The Fund also has a With-Profits holding with Prudential which does not have a benchmark but returned 4.5%, 6.0% p.a. and 4.9% p.a. over the 1, 3 and 5 year periods to the 31 March 2023. - Out of the Fund's 6 unit linked AVC holdings held with Utmost, five outperformed their respective benchmarks over the 1 year period to the 31 March 2023, with three outperforming over the 3 year period and 2 outperforming over the 5 year period, noting that one fund did

Nested tables (1.07 and 1.08):

Asset Class	Fund	Commitment
Private Debt	Ambienta, SCO I	€12m (£10m)

Allocator	Asset Class	Committed	Deployed
Russell Investments	Private Credit	£50m	c.£6.1m
GCM Grosvenor	Infrastructure	£64m	c.£7.4m
Schroders	Private Equity	£60m	c.£8.9m

	not have performance over the 5 year period due to the date it was incepted.
1.11	The type of AVC arrangements discussed in the review are: <u>Unit-linked funds</u> - Members purchase units in funds which invest according to their particular objective. - Returns to members are in the form of changes in the value of the unit price. - Members realise a profit or a loss from an investment when the units in the fund are sold. - For Clwyd Pension Fund, members are invested in 19 unit linked funds across Utmost and Prudential. <u>With profit funds</u> - The costs of running these are largely deducted from the fund and what is left over is available to be paid to the with profits investors as “bonuses”. - To avoid big changes in the size of bonuses each year, the insurer will smooth returns. - Guarantees can necessitate a more cautious underlying investment strategy, to maintain the insurer’s solvency. This can severely restrain future investment performance for other policyholders too. - Insurers can impose a Market Value Reduction (MVR) if disinvestment is other than (usually) the pre-selected retirement date or prior death and may be viewed by a member as a financial penalty on transfer. - Historically, payout examples were provided via insurers’ regulatory returns, but these ceased to be available in 2017 due to the Solvency II Directive. <u>Charges</u> - The fees charged by both Prudential and Utmost are shown in the report.
1.12	Mercer have recommended the following within the review: • That AVC members are sent a communication to remind them of their AVCs, the purpose of AVCs and the choices available to them. • Members should be periodically reminded of the key characteristics of with-profits funds and the risk of disinvesting before maturity. It should be noted that members in with-profits funds with Prudential have terminal bonuses applying on their policies, which are not guaranteed. Market Value Adjustments may also be applied at the point of withdrawal. Annual monitoring of the AVC arrangements should continue, with the date of the next review being November 2024. More generally, Mercer recommend that the Fund regularly reviews the AVCs held, to check whether members have drawn any of their Defined Benefits from the Fund. If this is the case, they may benefit from a reminder that their AVCs are still available and invested.
1.13	*Annual Meeting Videos*

	The Fund has recently released a series of informative videos designed to offer employers a comprehensive overview of the detailed work conducted by Fund Officers, Governance Advisors (Aon), Investment Consultants, and the Fund Actuary (Mercer) over the past year. We believe these videos serve as a valuable tool, providing more flexibility for employers to stay informed and engaged with the Fund's ongoing efforts. This modern solution replaces the Fund's previous Annual Joint Consultative Meeting (AJCM).
1.14	*Autumn Statement and Response to Next Steps on Investments Consultation* *At the time of finalising this report further announcements are expected from Government both in the Autumn Statement by the Chancellor and a Response to its Consultation on the Next Steps in Investment from DLHUC. A verbal update will be provided at Committee.*
1.15	**Delegated Responsibilities** The Pension Fund Committee has delegated certain responsibilities to Officers or individuals. Appendix 5 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). • Private Market commitments are made in-line with the Fund's Investment Strategy, the Wales Pension Partnership, and, for Local and Impact opportunities, recommendation from Mercer, the Fund's Investment Consultant. Further details can be found in section 1.07 of this report.

2.00	**RESOURCE IMPLICATIONS**
2.01	The Head and Deputy Head of the Clwyd Pension Fund dedicate significant time to deliver and monitor the WPP Business Plan, which is not separately acknowledged in the Clwyd Pension Fund budget. Consequently, this leads to increased dependence 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 6 provides the Dashboard and Risk Register which highlights current risks relating to investments and funding matters.
4.02	There have been no changes to risk levels since the last Committee meeting. Three risks remain behind target, these include: • No.3 – The current market environment poses an increased risk to investment returns, and subsequently meeting investment targets.

	• No.4 – The current high inflationary environment poses an increased risk to the actuarial assumptions of Fund liabilities. • No.9 – The Fund's long-term Investment Strategy fails to deliver on its ambitions and objectives as a Responsible Investor. Fund Officers, its Investment Consultants and Fund Actuary (Mercer), and Governance Advisors (Aon) continue to monitor these risks regularly.

5.00	**APPENDICES**
5.01	Appendix 1 – 2023/24 Business Plan Appendix 2 – WPP JGC Draft Minutes 20 September 2023 Appendix 3 – WPP Responsible Investment Report Appendix 4 – AVC Review 2023 Appendix 5 – Delegated Responsibilities Appendix 6 – Risk Dashboard and Register – Investments and Funding

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	1.02 The full JGC agenda is available here: https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=6589&Ver=4 1.03 The PLSA Case Studies are available here: https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2023/Pension-Scheme-Investments-in-Illiquids-Case-Studies-from-the-Pensions-Sector-Nov-2023.pdf **Contact Officer:** Ieuan Hughes, Graduate Investment Officer, Clwyd Pension Fund **E-mail:** Ieuan.Hughes@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(a) **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) **Additional Voluntary Contribution (AVCs)** – additional contributions made by members to the Fund’s Money Purchase AVC provider. (s) **B Corp Certification** – a designation awarded to businesses that meet rigorous standards of social and environmental performance, accountability, and transparency. These companies balance profit and purpose, considering the impact of their actions on various stakeholders, including employees, communities, and the environment. 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 – Q3 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	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

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 20 September 2023

PRESENT: Councillor T. Palmer (Chair)

Councillors:
S. Churchman, M. Lewis, P. Lewis (Virtual), M. Norris, C. Weaver (Virtual), E. Williams and N. Yeowell

O. Richards – Scheme Member Representative (Co-opted non-voting member) (Virtual)

The following Officers were in attendance:
C. Moore – Joint Committee Section 151 Officer (CCC)
L. Rees-Jones – Joint Committee Monitoring Officer (CCC) (Virtual)
C. Lee – Corporate Director of Resources (CoC)
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)
C. Hurst – Pension Fund Manager (PCC)
D. Morgan – Head of Finance (GCC)
P. Latham – Head of Clwyd Pension Fund (Clwyd CC)
B. Davies – Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services (RCT)
A. Bull – Head of Pensions (TCC)
A. Parnell – Treasury & Pensions Investment Manager (CCC)
T. Williams – Senior Financial Services Officer (CCC)
K. Thomas Evans – Democratic Services Officer (CCC) [Note Taker]
J. Pennar-McFarlane – Simultaneous Translator (GCC)

Also in attendance to present reports:
A. Johnson – Hymans Robertson
R. Barrack – Hymans Robertson
I. Colvin – Hymans Robertson(Virtual)
K. Midl – Link Fund Solutions
J. Zealander - Link Fund Solutions
R. Thornton – Link Fund Solutions
D. Joyce – Northern Trust (Virtual)
A. Knell – Robeco (Virtual)
Y. Fujita– Robeco (Virtual)
A. Quinn – Russell Investments

Also present as observers:
M. Falconer – Pension Manager (CoC) (Virtual)
D. Jones-Thomas – Investment Manager (GCC) (Virtual)
L. Grey – Graduate Pensions Officer (TCC)(Virtual)
Y. Keitch – Principal Accountant (RCT)(Virtual)

Chamber, Rhondda Cynon Taf - Rhondda Cynon Taf, The Pavilions, Clydach Vale, Tonypandy, CF40 2XX - 10.15 am - 12.20 pm

(NOTE: The commencement of the meeting was delayed by 15 mins due to inclement weather)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
Cllr. M. Lewis	All agenda items	He is a member of Swansea Pension Fund along with his wife.
Cllr. S. Churchman	All agenda items	He is a member of the Greater Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. N. Yeowell	All agenda items	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	He, 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.]

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 19TH JULY, 2023.

RESOLVED that the minutes of the Joint Governance Committee meeting held on 19th July, 2023, be signed as a correct record.

4. HOST AUTHORITY UPDATE

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

The Joint Committee received a progress update in relation to the following key areas:

- Governance;
- Ongoing establishment;

- Operator services;
- Communications and reporting;
- Training and meetings;
- Resources, budget and fees.

UNANIMOUSLY RESOLVED that the Host Authority update be received.

5. RISK REGISTER Q3 2023 REVIEW

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

The Joint Committee considered the Risk Register Q3 2023 Review. Members were advised that the purpose of the WPP Risk Register is to:

- Outline the WPP's key risks and factors that may limit its ability to meet its objectives
- Quantify the severity and probability of the risk facing the WPP
- Summarise the WPP's risk management strategies.
- Monitor the ongoing significance of these risks and the requirement for further risk mitigation strategies.

It was noted that during the previous quarter, the Officer Working Group had undertaken a review of the Training & Resources and Communications Risks and the report detailed the review outcome for each of the identified risks.

Members were further informed that the next review taking place in Q4 2023 would focus on the Investment Section Risks.

UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved.

6. NEW POLICIES/PLANS: BREACHES AND ERRORS POLICY

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

The Joint Committee considered a Breaches and Errors Policy developed for the WPP detailing its policy and procedures for identifying, managing and, where necessary, reporting breaches of the law in accordance with Section 70 of the Pensions Act 2004.

It was noted the policy applied to both elected members and officers who undertook duties in respect of the WPP, as well as local pension board members of the constituent authorities with whom the WPP engaged. The policy set out the responsibilities of those groups in identifying, managing and, where necessary, reporting breaches of the law as they were applied to the governance, management and administration of the WPP.

Members also noted the policy would be formally reviewed by the Officer Working Group on a triennial basis and any substantive changes thereto would be submitted to the Joint Governance Group for its approval.

UNANIMOUSLY RESOLVED that the WPP Breaches and Errors Policy be approved.

7. OPERATOR UPDATE - Q2 2023 REVIEW

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

The Joint Committee received a presentation provided by Link Fund Solutions on the progress of the Wales Pension Partnership for Quarter 2 (April – June), 2023 in relation to the following key areas:

- Market Updates
- Current Fund Holdings
- Sub Fund and Other Initiatives
- Corporate update and engagement

The report also included details relating to :-

- the proposed acquisition of Link Fund Solutions by the Waystone Group with an anticipated completion date of 9th October 2023
- Assets Under Management Summary as at 30th June 2023
- Fund changes in relation to the Global Credit Fund, Sustainable Equities Fund and the Global Growth Fund
- Initiatives relating to the Management Information pack and Class Action reporting
- Market updates in relation to Russia / Ukraine and the Liability Driven Investments

UNANIMOUSLY RESOLVED that the Operator Update be received.

8. PERFORMANCE REPORTS AS AT 30TH JUNE 2023

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

The Joint Committee received a presentation on the Performance Reports as at 30th June 2023. Members were advised that the sub funds that had outperformed/underperformed their respective benchmarks, were as follows:

- Global Opportunities – outperformed by 1.16% gross / 0.83% net
- Global Growth – underperformed by 0.76% gross / 1.18% net
- Emerging Markets – underperformed by 0.94% gross / 1.39% net
- UK Opportunities – underperformed by 0.48% gross / 0.87% net
- Global Government Bond – outperformed by 2.35% gross / 2.11% net
- Global Credit – underperformed by 0.17% gross / 0.34% net

The Multi Asset Credit Fund, the Absolute Return Bond Fund did not meet their targets and the UK Credit Fund exceeded its target.

RESOLVED that the Performance Reports of the following sub-funds as at 30th June 2023 be approved:

8.1. Global Opportunities Equity Fund;
8.2. Global Growth Equity Fund;
8.3. Emerging Markets Equity Fund;
8.4. UK Opportunities Equity Fund;
8.5. Global Government Bond Fund;
8.6. Global Credit Fund;
8.7. Multi Asset Credit Fund;
8.8. Absolute Return Bond Strategy Fund;
8.9. UK Credit Fund.

9. EXCLUSION OF THE PUBLIC

RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following item as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

10. GLOBAL SECURITIES LENDING REVIEW AS AT 30TH JUNE 2023

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Joint Committee received a report on Global Securities Lending Relationship and Performance Review for the quarter ending 30 June 2023.

UNANIMOUSLY RESOLVED that the Global Securities Lending Review as at 30th June 2023 be noted.

11. **ROBECO ENGAGEMENT SERVICE - Q2 2023 ENGAGEMENT REPORT**

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Joint Committee received the Engagement Report for Q2 of 2023.

UNANIMOUSLY RESOLVED that the Engagement Report for Q2 of 2023 be noted.

12. **RESPONSIBLE INVESTMENT AND CLIMATE RISK REPORTS -**

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Joint Committee received a report on the Responsible Investment & Climate Risk Reports for the following sub funds:-

- Absolute Return Bond
- Mult-Asset Credit

UNANIMOUSLY RESOLVED that the Responsible Investment and Climate Risk Reports, as above, be noted.

13. **SUSTAINABLE EQUITY SUB-FUND - TRANSITION REVIEW**

(NOTE: Councillors S. Churchman, M. Lewis, P. Lewis, M. Norris, T. Palmer, C. Weaver, E. Williams and N. Yeowell had earlier declared an interest in this item)

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 9 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Joint Committee received a post transition report on the launch of the WPP's Sustainable Equity Sub-Fund

UNANIMOUSLY RESOLVED that the Sustainable Equity Sub-Fund Transition Review Report be noted.

CHAIR **DATE**

Mae'r dudalen hon yn wag yn bwrpasol

Responsible Investment Update: Q3 2023

Introduction

This update has been prepared by Hymans Robertson LLP for the WPP. This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds: Global Growth; Global Opportunities; UK Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond; UK Credit.

It should not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety. We accept no liability to any other party unless we have accepted such liability in writing.

Summary of quarterly RI activity

JGC RI activity

- Climate and ESG Risk Reports for the Absolute Return Bond and Multi-Asset Credit Sub-Funds were presented. Discussions arose on the development of a WPP-specific Escalation Policy, including on Robeco's approach to escalation and divestment.
- RI training session on stewardship, including Robeco's approach to active ownership and the engagement process.

LAPFF alerts

Following Q2 23 as peak proxy voting season, Q3 23 saw a limited number of LAPFF alerts issued:

- National Grid
- FedEx
- Ryanair

Stewardship Code report

WPP submitted its third annual stewardship code report for the year ending 31 March 2023, submitting the report to the FRC on 31 October 2023.

Securities lending

The Broadridge Proxy Recall service provided by Northern Trust is due to go live across the Global Growth, Global Opportunities, UK Opportunities and Emerging Market Equity Sub-Funds in Q4 23.

Simon Jones, Partner
Rachel Barrack, Senior RI Analyst

For and on behalf of Hymans Robertson LLP

November 2023

Stewardship Summary

Quarter ending 30 September 2023

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across four of the WPP's Active Equity Sub-Funds (Sustainable Active Equity from Q4 23), while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates.

One area of activity over the quarter was around the role of financial institutions in facilitating climate action. Specifically, we saw a rise in the number of shareholder proposals at the annual general meetings of banks, requesting action and disclosure on their climate impact, and how they are supporting the net-zero transition. In addition, shareholders have been asking issuers to adopt a time-bound phase-out policy for the lending and underwriting of new fossil fuel exploration and development, hoping to support capital reallocation towards more sustainable solutions in line with the goals of the Paris Agreement.

A summary of activity is provided below, with voting broken down between Sub-Funds in subsequent pages. It should be noted that some stocks are common across multiple Sub-Funds and hence votes will be reported against each.

Overall voting summary

Breakdown of voting activity			
Number of meetings		146	
Votes cast		1,430	
Meetings with at least one vote against management		66 (45%)	
For Withhold Against Abstain Other	1,282 8 130 0 10	With management Against Management	1,275 155

Overall engagement summary

Number of engagement cases by topic		**Number of engagement activities by contact type**	
Environment	41	Meeting	6
Social	12	Conference call	53
Corporate Governance	12	Written correspondence	68
Voting Related	2	Shareholder resolution	1
UN SDGs	26	Analysis	18
Global Controversy	8	Other	0
Total	**101**	Total	**146**

Global Opportunities Sub-Fund:

Key Metrics as at 30 September 2023

Key characteristics

Fund value	£2.9bn
Underlying managers	Jacobs Levy, Morgan Stanley, Numeric (low vol & global), Nissay, Oaktree, Sanders, SW Mitchell, Intermede

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Microsoft	6. Samsung
2. Meta	7. Elevance Health
3. Alphabet	8. BNP Paribas
4. Apple	9. Adobe
5. TSMC	10. HCA Healthcare

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/\$m sales)	97.3	>94%	135.0	>99%
WACI EVIC (tCO_2e/\$EVIC)	73.5	>94%	56.7	>99%
Carbon emissions (tCO_2e/£m invested)	169.6	>94%	117.3	>99%
Holdings with exposure to FF reserves	5.0%	>95%	7.4%	>99%
Approved Science-Based Targets (%)	29.8%	Not applicable	38.8%	Not applicable

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.5	>94%	5.5	>99%
E pillar	6.5	>94%	6.6	>99%
S pillar	5.2	>94%	5.1	>99%
G pillar	5.7	>94%	5.6	>99%
UNGC violators	0.6%	>94%	0.6%	>99%

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

Global Opportunities Sub-Fund:

Stewardship Summary

Voting Summary (Q3 2023)

Number of meetings		**47**	
Votes cast		420	
Meetings with at least one vote against management		24 (51%)	
For	374	With management	369
Withhold	5	Against Management	51
Against	31		
Abstain	0		
Other	10		

Key votes

The following are highlighted as notable votes during the quarter:

FedEx (US, 21 September 2023)

- A number of shareholder proposals were up for discussion at FedEx's annual general meeting. We note two of particular relevance. The first called for FedEx to prepare a report disclosing how it is addressing the impact of its climate change strategy on relevant stakeholders, including employees, workers in its supply chain and communities in which it operates, in line with the Just Transition guidelines. Robeco determined that FedEx's current disclosures here were limited, so supported the proposal.
  The shareholder proposal received over 30% support and did not pass.
  Robeco voted in line with the LAPFF alert regarding FedEx's Just Transition report.

- The second proposal requested disclosure on the company's permanent paid sick-leave policies. Robeco determined that, given the upcoming reorganisation of its operating companies (including a review of policies that impact the company's global workforce), additional disclosures as requested in the shareholder proposal did not add value, so voted against it. That said, Robeco will continue to monitor management and disclosure around this subject going forward.
  The shareholder proposal received over 10% support and did not pass.

Electronic Arts (US, 10 August 2023)

- The 2023 annual general meeting of Electronic Arts saw a number of governance topics under scrutiny. Robeco has voted against Electronic Art's executive compensation plan on numerous successive occasions, deeming it to be excessive and with an insufficient underlying structure. This was also the case on this occasion, with the proposed plan this year continuing to exhibit these features.
  The management proposal passed with over 92% support.

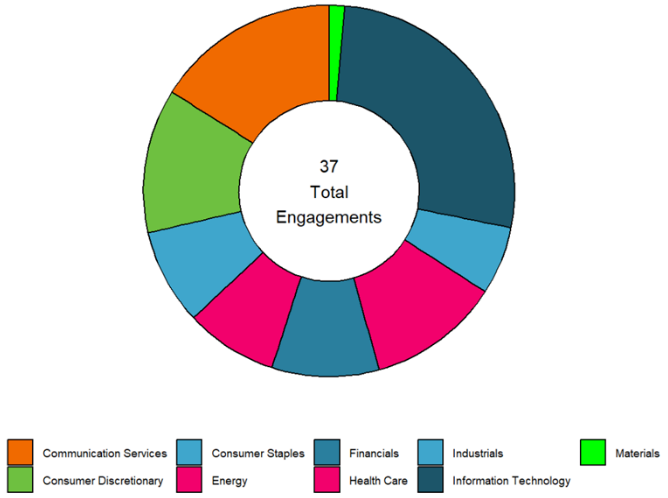
- In order to escalate concerns around executive remuneration, Robeco also voted against the chair of the compensation committee for the second time.
  The management proposal passed with over 96% support.

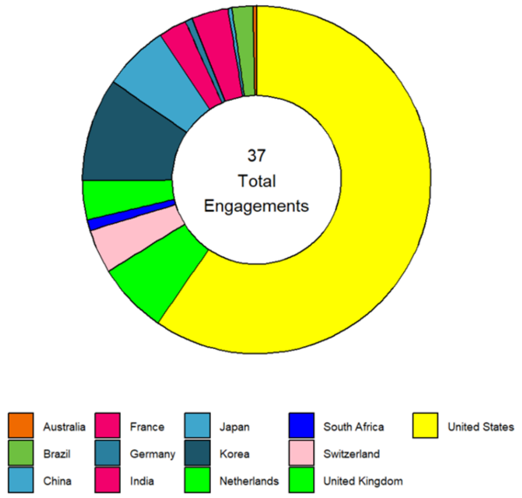
- Robeco voted for a shareholder proposal asking the company to instate a policy to seek shareholder approval of any senior severance packages that exceed a value of 2.99 times the employee's base salary and target annual bonus opportunity.
  The shareholder proposal received over 9% support and did not pass.

Engagement Summary (Q3 2023)

Robeco engaged with 36 companies, with assets totalling £432.5 million, 15% of the Sub-Fund. Companies within the Sub-Fund may be engaged under different themes. For example, Unilever was also engaged under two themes: Good Governance and Biodiversity.

Companies under engagement (by AUM)





Source: Robeco, Hymans Robertson

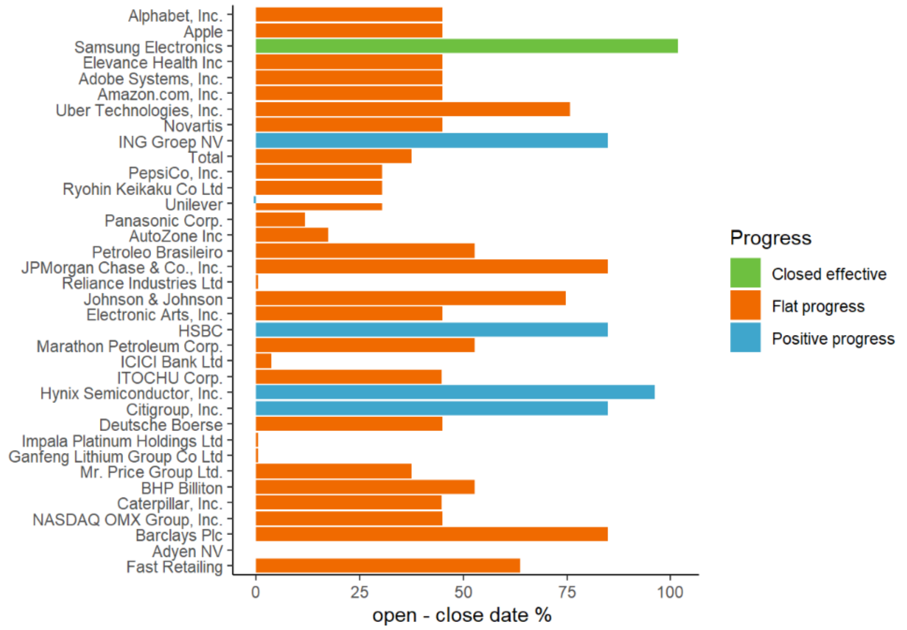
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in the US or UK. A list of companies by engagement theme is set out below.

Theme	Companies
Acceleration to Paris	Caterpillar, ITOCHU
AGM Engagement 2023	Johnson & Johnson
Biodiversity	Unilever, Ryohin Keikaku
Climate Transition of Financial Institutions	Barclays, Citigroup, HSBC, ICICI Bank, ING Groep, JPMorgan Chase
Corporate Governance in Emerging Markets	Samsung Electronics
Corporate Governance Standards in Asia	Hynix Semiconductor, Panasonic
Good Governance	Adyen, Unilever
Human Rights Due Diligence	Fast Retailing
Just Transition in Emerging Markets	Ganfeng Lithium, Impala Platinum, Reliance Industries
Labour Practices in a Post Covid-19 World	Uber Technologies
Natural Resource Management	PepsiCo
Net Zero Carbon Emissions	BHP Billiton, Marathon Petroleum, Petroleo Brasileiro
SDG Engagement	Adobe Systems, Alphabet, Amazon.com, Apple, AutoZone, Deutsche Boerse, Electronic Arts, Elevance Health, Mr. Price, NASDAQ OMX, Novartis, Total

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 30 September 2023, noting that positive progress had been made with five companies over the course of the quarter, with one company engagement also closing successfully.



Source: Robeco, Hymans Robertson

Case Study

Robeco has been engaging with South Korean electronics name Samsung Electronics since 2017, including on improving disclosure of its non-financial strategy, capital expenditure and board composition. This has also included collaborative engagement with other investors. Since the beginning of the engagement, Samsung has increased the diversity and number of independent directors on its board. All key investment decisions are now reviewed by the entire board, with board sub-committees composed entirely of independent directors. Samsung furthermore started to publish its strategy for each of its businesses and has strengthened its environmental reporting.

Emerging Markets Sub-Fund:

Key Metrics as at 30 September 2023

Key characteristics

Fund value	£677.4m
Underlying managers	Artisan, Axiom, Barrow Hanley, Bin Yuan, Numeric, Oaktree

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. TSMC	6. MediaTek
2. Samsung Electronics	7. Bank Rakyat Indonesia
3. Alibaba	8. Baidu
4. SK Hynix	9. TSMC ADR
5. Tencent	10. Ping An

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	235.5	>92%	322.4	>99%
WACI EVIC (tCO_2e/$EVIC)	133.6	>92%	149.0	>99%
Carbon emissions (tCO_2e/£m invested)	298.7	>92%	369.8	>99%
Holdings with exposure to FF reserves	6.4%	>95%	7.4%	>99%
Approved Science-Based Targets (%)	9.6%	Not applicable	13.8%	Not applicable

Source: MSCI; Hymans Robertson

Benchmark: MSCI EM

ESG metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.0	>91%	4.9	>99%
E pillar	5.8	>91%	5.8	>99%
S pillar	5.2	>91%	5.1	>99%
G pillar	4.7	>91%	4.5	>99%
UNGC violators	1.6%	>93%	1.3%	>99%

Source: MSCI; Hymans Robertson

Benchmark: MSCI EM

Emerging Markets Sub-Fund:

Stewardship Summary

Voting Summary (Q3 2023)

Number of meetings		**86**	
Votes cast		610	
Meetings with at least one vote against management		36 (42%)	
For	524	With management	521
Withhold	1	Against Management	89
Against	85		
Abstain	0		
Other	0		

Key votes

Prosus (Netherlands, 23 August 2023)

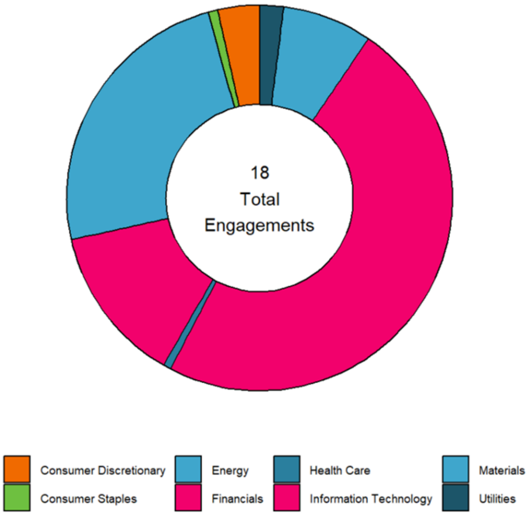
- Prosus put forward a proposal to approve a share buyback that would enable the board to repurchase shares representing up to 50% of the issued share capital over a period of 18 months. Robeco supported the proposal regarding the share buyback, seeing this as an effective means of addressing the issuer's steep valuation discount.
  The management proposal passed with over 91% support.

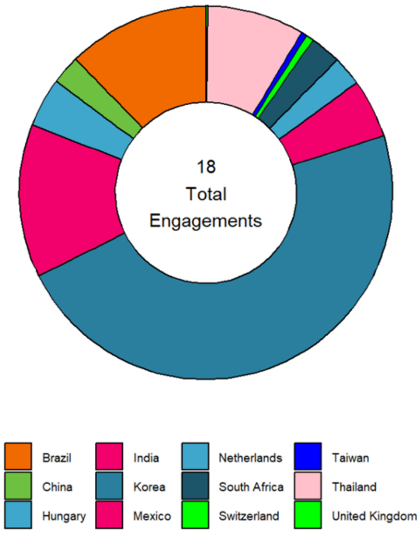
- There was also a management proposal to approve the company's remuneration report. Following last year's remuneration report, which was aimed at incentivising the executive team to reduce the discount to net asset value, this year's remuneration report outlined that the discount had been reduced from 54% to 38%. That said, Prosus failed to disclose the ex-ante targeted discount. Robeco noted that Prosus did not award a special short-term incentive award for 2023/24, instead awarding a long-term incentive award with a similar mix to prior years. However, on balance, given concerns around pay magnitude and transparency, and in line with Robeco's remuneration framework, Robeco voted not to approve the remuneration report.
  The management proposal passed with over 84%.

Engagement Summary (Q3 2023)

Robeco engaged with 18 companies, with assets totalling £41.2 million, 11.5% of the Sub-Fund.

Companies under engagement (by AUM)





Source: Robeco, Hymans Robertson

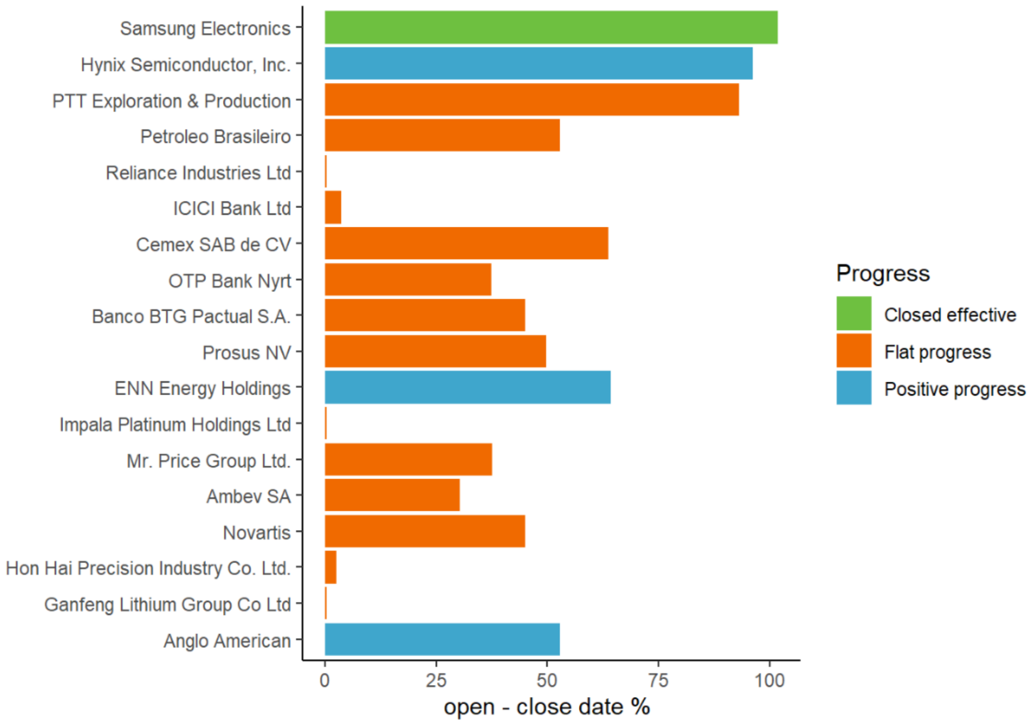
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in South Korea. A list of companies by engagement theme is set out below.

Theme	Companies
AGM Engagement 2023	Prosus
Climate Transition of Financial Institutions	ICICI Bank
Corporate Governance in Emerging Markets	ENN Energy, Samsung Electronics
Corporate Governance Standards in Asia	Hynix Semiconductors
Human Rights Due Diligence	Cemex, Hon Hai
Just Transition in Emerging Markets	Ganfeng Lithium, Impala Platinum, Reliance Industries
Natural Resource Management	Ambev
Net Zero Carbon Emissions	Anglo American, Petroleo Brasileiro, PTT Exploration & Production
SDG Engagement	OTP Bank, Banco BTG, Mr. Price Group, Novartis
AGM Engagement 2023	Prosus

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 30 September 2023, noting that positive progress had been made with three companies over the course of the quarter, with one engagement also closing successfully.



Source: Robeco, Hymans Robertson

Case Study

Robeco has been engaging with South Korean electronics name Samsung Electronics since 2017, including on improving disclosure of its non-financial strategy, capital expenditure and board composition. This has also included collaborative engagement with other investors. Since the beginning of the engagement, Samsung has increased the diversity and number of independent directors on its board. All key investment decisions are now reviewed by the entire board, with board sub-committees composed entirely of independent directors. Samsung furthermore started to publish its strategy for each of its businesses and has strengthened its environmental reporting.

Sustainable Active Equity Sub-Fund:

Key Metrics as at 30 September 2023

Key characteristics

Fund value	£1.3bn
Underlying managers	Sparinvest, Mirova, Neuberger Berman, Wellington, Artemis

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Microsoft	6. GSK
2. Visa	7. Novo Nordisk
3. Thermo Fisher	8. TSMC
4. Mastercard	9. ING
5. Adobe	10. ASML Holdings

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	62.5	>95%	135.0	>99%
WACI EVIC (tCO_2e/$EVIC)	40.8	>95%	56.7	>99%
Carbon emissions (tCO_2e/£m invested)	91.6	>95%	117.3	>99%
Holdings with exposure to FF reserves	1.4%	>95%	7.4%	>99%
Approved Science-Based Targets (%)	50.4%	Not applicable	38.8%	Not applicable

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.9	>95%	5.5	>99%
E pillar	7.1	>95%	6.6	>99%
S pillar	5.4	>95%	5.1	>99%
G pillar	6.1	>95%	5.6	>99%
UNGC violators	0.0%	>95%	0.6%	>99%

Source: MSCI; Hymans Robertson

Benchmark: MSCI ACWI

Multi-Asset Credit Sub-Fund:

Key Metrics as at 30 September 2023

Key characteristics

Fund value	£463.5m
Underlying managers	Barings, BlueBay, ICG, ManGLG, Voya

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
WACI (tCO_2e/$m sales)	362.1	>23%	n/a	n/a
WACI EVIC (tCO_2e/$EVIC)	197.5	>20%	n/a	n/a
Carbon emissions (tCO_2e/£m invested)	564.9	>23%	n/a	n/a
Holdings with exposure to FF reserves	3.4%	>58%	n/a	n/a
Approved Science-Based Targets (%)	5.1%	n/a	n/a	n/a

Source: MSCI; Hymans Robertson

ESG metrics

Figures as at 30 September 2023	Fund	Coverage	Benchmark	Coverage
Overall ESG score	4.9	>23%	n/a	n/a
E pillar	5.8	>23%	n/a	n/a
S pillar	4.7	>23%	n/a	n/a
G pillar	5.2	>23%	n/a	n/a
UNGC violators	5.7%	>24%	n/a	n/a

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the MAC Sub-Fund, given the nature of the holdings. This may result both in marked fluctuations in metrics from quarter to quarter with the reported metrics whilst the reported metrics may not be representative of the portfolio as a whole.

The nature of the MAC Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have not therefore shown a benchmark.

Multi-Asset Credit Sub-Fund:

Stewardship Summary

Engagement Summary (Q3 2023)

Robeco engaged with two companies, with assets totalling £962.5k, 0.1% of the Sub-Fund.

Companies under engagement

Barclays (UK, financials) was engaged under the Climate Transition of Financial Institutions theme. The theme engages financial companies on installing climate-risk management processes, and in setting climate metrics and targets. Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. Progress on engagement, as at 30 September 2023 has been flat.

Prosus (Netherlands, consumer discretionary) was engaged under the AGM theme. The theme looks to engage with companies to either explain voting at annual general meetings or to pre-emptively highlight concerns ahead of such. Such engagement can help address governance and other sustainability issues. Progress on engagement, as at 30 September 2023 has been flat.

Appendix 1: WPP stewardship themes (2023/24)

Focusing on net zero

Organisations, particularly those in materially affected sectors, should be developing and implementing transition plans to ensure that the long-term migration to a low-carbon economy is orderly. Companies should ensure than plans are published, and climate management disclosures are comprehensive and available for investor scrutiny.

Supporting people

An organisation's workforce is one of its most valuable assets, and it is incumbent on the organisation to ensure that its people are properly managed and rewarded. This includes the consideration of people within supply chains, which can often be areas of lower scrutiny.

Delivering sustainable outcomes (governance)

Organisations should be managed with a longer-term horizon so as to ensure that practices become more sustainable. This can ensure that executive remuneration is better linked to longer-term goals, including incorporating ESG criteria.

Appendix 2: issuers under engagement (Q3 2023)

ENVIRONMENT

Biodiversity
Arcadis
Archer-Daniels-Midland Co
Axfood
Barry Callebaut
Bridgestone Corp
Bunge
Cie Generale des Etablissements
Cranswick
The Hershey Co
JBS
Kimberly-Clark
Leroy Seafood Group
Marfrig Global Foods
Mondelez International
Ryohin Keikaku
Sappi
Signify
Suzano
Top Glove Corp
Unilever
VF Corp

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group
Bank of America
Barclays
BNP Paribas
Citigroup
DBS Group Holdings
HSBC Holdings
ICICI Bank
ING Groep
JPMorgan Chase
Sumitomo Mitsui Financial Group

Lifecycle Management of Mining
Barrick Gold
Gerdau

Natural Resource Management
Ambev
Callon Petroleum
CF Industries Holdings
Continental Resources
Diageo
OCI
PepsiCo
Sappi
Severn Trent
Tronox Holdings
United Utilities Group

Net Zero Carbon Emissions
Anglo American
ArcelorMittal
Berkshire Hathaway
BHP Group
BlueScope Steel
BP
CEZ
Chevron
China National Building Material Co
CRH
Ecopetrol
Enel
Exxon Mobil
HeidelbergCement
Hyundai Motor Co
JFE Holdings
LyondellBasell Industries
Marathon Petroleum
Petroleo Brasileiro
Phillips 66
PTT Exploration & Production
Rio Tinto
Saudi Arabian Oil Co
Shell
Valero Energy
Vistra Energy
WEC Energy Group

Sound Environmental Management
Alexandria Real Estate Equities
Guangdong Investment
Hangzhou First Applied Material
LONGi Green Energy Technology

SOCIAL

Diversity and Inclusion
Eli Lilly
Netflix
Oracle
TSMC
Thermo Fisher Scientific

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Bharat Electronics
Booking Holdings
Cemex
Fast Retailing Co
HeidelbergCement
Hon Hai Precision Industry
Industria de Diseno Textil
PTT Exploration & Production
Sinotruk Hong Kong
SolarEdge Technologies
Volkswagen
Wacker Chemie

Just Transition in Emerging Markets
Ganfeng Lithium Group
Impala Platinum Holdings
Pertamina Persero
Reliance Industries

Labour Practices in a Post Covid-19 World
Accor
Delivery Hero
InterContinental Hotels Group
Marriott International
Meituan
Uber Technologies
Walmart

Social Impact of Gaming
Activision Blizzard
NCSoft Corp
NetEase
Take-Two Interactive Software
Tencent Holdings

Sound Social Management
Baidu
Post Holdings
Tencent Holdings
Tesco
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets
CCR
Cosan
Coway
CPFL Energia
ENN Energy Holdings
Haier Smart Home
Hyundai Motor
Midea Group
Samsung Electronics

Corporate Governance Standards in Asia
Inpex
Panasonic
Resonac Holdings
Rohm
Shin-Etsu Chemical
SK Hynix

Good Governance
Adyen
Arcadis
DSM-Firmenich
Heineken Holding
Koninklijke Ahold Delhaize
Signify
Unilever

Responsible Executive Remuneration
Aspen Technology
Booking Holdings
Henkel
Nike
Schneider Electric
Tesco
The Walt Disney Co
Wolters Kluwer

VOTING RELATED ENGAGEMENTS

AGM Engagement 2023

Airbus
BAWAG Group
BFF Bank
Boeing
CBRE
The Boeing Co
Cheniere Energy
Deutsche Bank
Hana Financial Group
Johnson & Johnson
Monex Group
Morgan Stanley
NextEra Energy
Ovintiv
Plug Power
Prosus
Prysmian
Semen Indonesia Persero
Sendas Distribuidora
Sociedad Quimica y Minera de Chile
Wells Fargo & Co
Xylem

SDGs

SDG Engagement

Adobe
Alphabet
Amazon.com
Amgen
Apple
AutoZone
Banco BTG Pactual
Bank of Montreal
Capital One Financial Corp
CBRE Group
CCR
Deutsche Boerse
eBay
Elanco Animal Health
Electronic Arts
Elevance Health
F5
Grupo Bimbo
Hitachi
Jeronimo Martins
L'Oreal
LyondellBasell
Meta Platforms
Mr Price Group
Nasdaq
Neste
Novartis
OTP Bank
Rio Tinto
Salesforce
Salmar
Samsung Electronics
Sandvik
Sony Group
STMicroelectronics
TotalEnergies
Trane Technologies
Union Pacific Corp
United Parcel Service
Volvo

Acceleration to Paris

African Rainbow Minerals
Alleghany
Anhui Conch Cement
Caterpillar
Formosa Plastics
ITOCHU
Marubeni
Mitsubishi
Mitsui & Co
Nippon Steel
POSCO Holdings
SAIC Motor
Sumitomo
Toyota Industries
WH Group

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
REA Holdings
Wilmar International

Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

Climate change metrics have broad coverage, with data available on the ACWI Investable Market Index, and selected equity indices and non-listed fixed-income issuers. Coverage represents 19,000+ entities including subsidiaries, with ~12,150 entities directly covered (as at April 2023). For ESG ratings, more than 17,220 issuers are covered, including 10,800 that are directly rated.

To note, the metrics used in this report cover corporate issuers, but do not currently cover sovereign issuers. This means that coverage across the fixed-income funds will be lower than among listed-equity funds. In addition, certain products (for example, securitised products) will not return data from the parent issuer, resulting in reduced coverage. The above may result in much lower coverage for the MAC and ARB Sub-Funds in particular. This may also result in marked fluctuations in data output from quarter to quarter

Metric	Description/Methodology
ESG Rating	A final ESG Rating. At a company level, this represents the weighted average of individual ‘E’, ‘S’ and ‘G’ pillars. The weight given to each pillar is dictated by MSCI’s process, which determines the relevance of each pillar to a given company and sector. At a portfolio level, this is the weighted average of individual company scores by the weight in the portfolio.
Environmental Score	The Environmental Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Environment Pillar.
Social Score	The Social Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Social Pillar.
Governance Score	The Governance Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Governance Pillar.
UNGC Violators	This factor indicates the percentage of the portfolio exposed to companies that violate the United Nations Global Compact principles.
Weighted Average Carbon Intensity (WACI)	A measure of a portfolio’s exposure to carbon-intense companies. This is expressed in terms of tons of CO_2 equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. This is measured using Scope 1 + Scope 2 emissions.
Weighted Average Carbon Intensity (EVIC)	A measure of a portfolio’s exposure to carbon-intense companies. This represents companies' most recently reported or estimated Scope 1 & Scope 2 greenhouse gas emissions, normalised by enterprise value including cash (USD). This ratio facilitates portfolio analysis by allocating emissions across equity and debt.
Total Carbon Emissions	This represents the portfolios estimated Scope 1 + Scope 2 greenhouse gas emissions. This is expressed in terms of thousand tons of CO_2 equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.

Metric	Description/Methodology
% of Portfolio with Ties to Fossil Fuels	The percentage of the portfolio invested in companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves for coal, and proved reserves for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.
% of Portfolio with SBT Approved Target	The percentage of the portfolio invested in companies with one or more active carbon-emissions-reduction target(s) approved by the Science-Based Targets initiative (SBTi).
Scope 1 emissions	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.
Scope 2 emissions	Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Appendix 4: General Risk Warning and Disclaimer

Risk warning

Please note the value of investments, and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property, and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance.

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This report and all of the information contained therein should not be shared with any third party.

Mae'r dudalen hon yn wag yn bwrpasol

Mercer

welcome to brighter

AVC Monitoring Report

Clwyd Pension Fund

November 2023

Steve Turner
Andrew Munro

A business of Marsh McLennan

Contents

AVC Valuation

1

Overview – Valuation

	Clwyd Pension Fund (the "Fund")				
AVC Provider	**2023 Asset Value**	**2022 Asset Values**	**Unit-linked / With profits**	**Guarantees applying**	**Number of Members[2]**
Utmost	£282,002	£296,657	Unit-linked	No guarantees applied	43
Prudential[1]	£6,332,493	£6,329,825	Unit-linked (c.52%) With-profits (c.48%)	With profits guaranteed bonuses depending on date purchased	Unit-linked (375) With-profits (290)
Overall Total	**£6,614,495**	**£6,626,482**			

Source: Prudential, Utmost.
Note: Utmost 2022 values as at August 2022. Utmost 2023 values as at November 2023. Prudential 2022 values as at July 2022. Prudential 2023 values as at March 2023.

1) The asset value includes Terminal Bonus (2022 c. £849,380 and 2023 c.£739,691) applied for the With Profit funds. This bonus, which is only applied at the time benefits become payable, is not guaranteed. The asset value also includes any Market Value Reduction (MVR).
2) Member splits: Utmost data as at November 2023. Prudential data as at March 2023.

Mercer

Performance and charges

2

Prudential – Fund Performance (unit linked)

Prudential have confirmed that the following unit-linked funds are invested in by members of the Fund:

Fund	Annualised Performance (%)	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	Benchmark	Fund	B'mark	Fund	B'mark	Fund	B'mark
UK Equity Passive	FTSE All-Share Index	2.2	2.9	12.9	13.8	4.4	5.0
UK Equity	FTSE All-Share Index	-0.9	2.9	12.0	13.8	3.4	5.0
Global Equity	Composite	0.2	2.3	13.3	13.8	4.6	6.1
International Equity	Composite	1.8	1.1	15.0	13.7	6.4	7.7
Positive Impact	MSCI ACWI Index	1.4	-0.9	14.4	16.0	n/a	n/a
Discretionary	Composite	-4.4	-0.0	8.7	9.1	3.6	5.1
Dynamic Growth I	Composite	-5.1	-4.8	2.4	1.6	1.6	1.8
Dynamic Growth II	Composite	-4.2	-3.7	4.4	3.5	2.4	2.6
Dynamic Growth IV	Composite	-2.3	-1.4	8.3	7.5	3.9	4.3
Fixed Interest	iBoxx Sterling Gilts Index	-16.4	-17.0	-9.0	-9.4	-3.2	-3.2
Index-Linked	iBoxx UK Gilt Inflation-Linked Over 5 Year Index	-30.1	-30.1	-8.7	-9.1	-4.0	-4.1
Long-Term Gilt Passive	iBoxx Sterling Gilts (15+) Index	-29.9	-29.6	-16.8	-16.3	-6.8	-6.3
Cash	SONIA 1W	1.7	2.2	0.3	0.7	0.2	0.6
Deposit	Bank of England Base Rate	2.1	2.3	0.8	0.9	0.8	0.8

Source: Prudential. Performance as at 31/03/2023 net of TER for funds invested by members.
Note: Funds that have performed within an acceptable tolerance range or outperformed are highlighted green. Funds that have underperformed are highlighted orange.

Comments and Considerations

There has been mixed performance for the unit linked funds over the last 5 years, with some funds underperforming their benchmarks

Prudential– Fund Charges (unit linked)

Prudential have confirmed that the following unit-linked funds are invested in by members of the Fund:

Charges to 31 March 2023	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
UK Equity Passive	0.55	0.57	0.03
UK Equity	0.65	0.66	0.01
Global Equity	0.65	0.67	0.06
International Equity	0.65	0.69	0.12
Positive Impact	0.65	0.66	0.07
Discretionary	0.65	0.70	0.11
Dynamic Growth I	0.62	0.63	-0.02
Dynamic Growth II	0.62	0.63	0.00
Dynamic Growth IV	0.62	0.63	0.01
Fixed Interest	0.65	0.66	-0.04
Index-Linked	0.65	0.66	0.44
Long-Term Gilt Passive	0.55	0.56	0.04
Cash	0.55	0.55	0.00
Deposit	N/A*	N/A*	0.00

Source: Prudential. AMC and TERs as at 31/03/2023. Transaction costs as at 31/12/2023 as the latest available. TER covers all costs to the provider.

*There are no explicit charges for the Deposit Fund.

In addition, Prudential offer several other fund options, including a lifestyle option.

Fund Performance and Charges (with profits)

Fund	Annualised Performance (%)	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	Benchmark	Fund	B'mark	Fund	B'mark	Fund	B'mark
Prudential With-Profits	*N/A*	4.5	-	6.9	-	4.9	-

Source: Prudential. Performance as at 31/03/2023 and reflects average overall yield % per year (including terminal bonus).

Charges to 31 December 2022	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
Prudential With-Profits	1.0%	1.0%	0.20%

Source: Prudential as at 31/12/2022.

Comments and Considerations

The with-profits fund has seen positive performance, over the long term, noting that with-profits funds provide smoothed performance.

In 2023, the regular annual bonus declared was 1.50%.

Utmost – Fund Charges & Performance

Utmost have confirmed that the following unit-linked funds are invested in by members of the Fund:

Charges to 31 March 2023	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
UK Equity	0.75	0.75	0.02
Managed	0.75	0.75	0.01
Multi-Asset Growth	0.75	0.75	0.00
UK Government Bond	0.50	0.50	0.00
Money Market	0.50	0.50	0.00

Source: Utmost as at 31/03/2023. TER covers all costs to the provider.

The table below shows performance to 31 March 2023:

Fund	Annualised Performance (%)	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	Sector Comparator	Fund	Sector	Fund	Sector	Fund	Sector
UK Equity	ABI UK All Companies	1.5	-1.6	13.6	12.3	3.9	2.5
Managed	ABI Mixed Investments (40-85%)	-1.9	-4.2	9.3	8.1	4.0	3.6
Multi-Asset Growth[1]	ABI Flexible Investment	-4.8	-3.1	8.9	10.7	n/a	n/a
UK Government Bond	ABI UK Gilts	-16.5	-17.9	-9.6	-8.9	-3.4	-3.1
Money Market	ABI Deposit & Treasury	1.8	1.6	0.4	0.8	0.3	0.6

Source: Utmost, from Provider website. Performance as at 31 March 2023 net of fees for funds invested by members.
Note: Funds that have performed within an acceptable tolerance range or outperformed are highlighted green. Funds that have underperformed are highlighted orange.
1) Performance not available for 3 and 5 years. Fund inception is 01/01/2020.

Comments and Considerations

Performance for the unit linked funds has been broadly in line with or above the sector comparator over the last 5 years. More details on the use of ABI sectors as comparators and potential drawbacks are shown in the appendix.

Mercer Commentary – AVC Providers

3

Prudential Assurance Company

Unit linked

As at April 2023	https://www.pru.co.uk/existing-customers/products/additional-voluntary-contributions/
Ownership and background	Prudential is the Life & Pensions provider within the M&G Group. With profits funds are offered alongside a range of mutual funds and bespoke segregated and pooled mandates.
Current issues/recent developments	Service performance in 2022 improved towards the end of the year with the majority of processes being completed within SLA and call response times much reduced. The focus is now on maintaining these levels whilst looking to make further improvements. A key focus in 2023 is to increase the level of on-line data provision and interaction with clients that will include the phased roll out of a self-service website.

Prudential Assurance Company

With Profits Funds

As at April 2023	Prudential With-Profits Fund | Investment Guide
Ownership and background	Prudential is the Life & Pensions provider within the M&G Group. With profits funds are offered alongside a range of mutual funds and bespoke segregated and pooled mandates.
With Profits Fund	Prudential Assurance Company Ltd With-Profits Sub-Fund is open and is the largest with profits fund in the UK.
Management of With Profits fund	The Prudential Portfolio Management Group, part of the M&G Treasury and Investment Office, is responsible for the strategic and asset management of the with profits funds. Assets are managed by a range of external managers together with M&G Investment Managers. Governance oversight is provided by the With Profits Committee. The Committee is appointed by the Prudential Assurance Company Board and will have at least three members, all independent and external to PAC.
Current issues/recent developments	Service performance in 2022 improved towards the end of the year with the majority of processes being completed within SLA and call response times much reduced. The focus is now on maintaining these levels whilst looking to make further improvements. A key focus in 2023 is to increase the level of on-line data provision and interaction with clients that will include the phased roll out of a self-service website.

With Profits Funds	Financial Strength	Future Performance	Transparency
Prudential Assurance Company Ltd With-Profits Sub-Fund (See slide in Appendix for more info)	5	5	5

The ratings shown above were originally prepared by AKG Financial Analytics Limited (AKG), and are contained within AKG's 2022 UK Life Office With Profits Report. They are shown here with AKG's prior consent. Further information on AKG's With Profits Report is available at: https://www.akg.co.uk/information/reports/with-profits-reports and in the appendix.

Utmost Life & Pensions

Overview

As at April 2023	Home (utmost.co.uk)
Ownership and background	ULP was established in 2017 by Utmost UK Group Holdings Ltd. (UUGH) as a newly authorised UK life company 'run off' specialist – expected to be the operational base for further acquisitions of traditional books of life business. The first of these transactions was announced in June 2018 with the agreement with Equitable Life to transfer all of Equitable's business to ULP – which completed on 1 January 2020 and significantly increased ULP's size
With Profits Fund	Equitable With Profits Fund. Immediately prior to their transfer to Utmost, the Equitable with profits policies were converted to unit linked funds. The company's growth focus includes enhancing its product offering and resources were focused on this in 2019, with a view in particular to widening the choice available to customers seeking to access their pension savings.
Management of With Profits fund	JP Morgan Asset Management is Utmost's investment partner, responsible for the design and management of the unit linked fund range which has been expanded to include a Flexible Drawdown product.
Current issues/recent developments	Response times to requests for information can be lengthy. In common with most of their peers, updates in respect of developments in respect of the fund range are intermittent.

Next Steps

4

Next Steps

It is recommended that AVC members are sent a communication to remind them of their AVCs, the purpose of AVCs and the choices available to them.

It should be noted that members in with-profits funds with Prudential have terminal bonuses applying on their policies, which are not guaranteed. Market Value Adjustments may also be applied at the point of withdrawal. Members should be periodically reminded of characteristics of with-profits funds and the risk of disinvesting before maturity.

We also recommend continuing annual monitoring of the AVCs.

Date of next review
November 2024

More generally, we recommend that the Fund regularly reviews the AVCs held, to check whether members have drawn on their Defined Benefit funds. If this is the case, they may benefit from a reminder that their AVCs are still available and invested.

Please note: This report does not contain regulated investment advice or regulated non-investment related advice. It sets out recommendations deemed appropriate based on the analysis provided in this presentation. Any actions to be taken from these recommendations need to be accompanied by regulated advice in accordance with Section 36 of the Pensions Act 1995.

Appendix

A

Unit Linked Funds

What are Unit Linked Funds?

- Members purchase units in funds which invest according to their particular objective.
- Returns to members are in the form of changes in the value of the unit price.
- Members realise a profit or a loss from an investment when the units in the fund are sold.
- Within the Clwyd Pension Fund, members are invested in 14 unit linked funds with Prudential and 5 with Utmost.

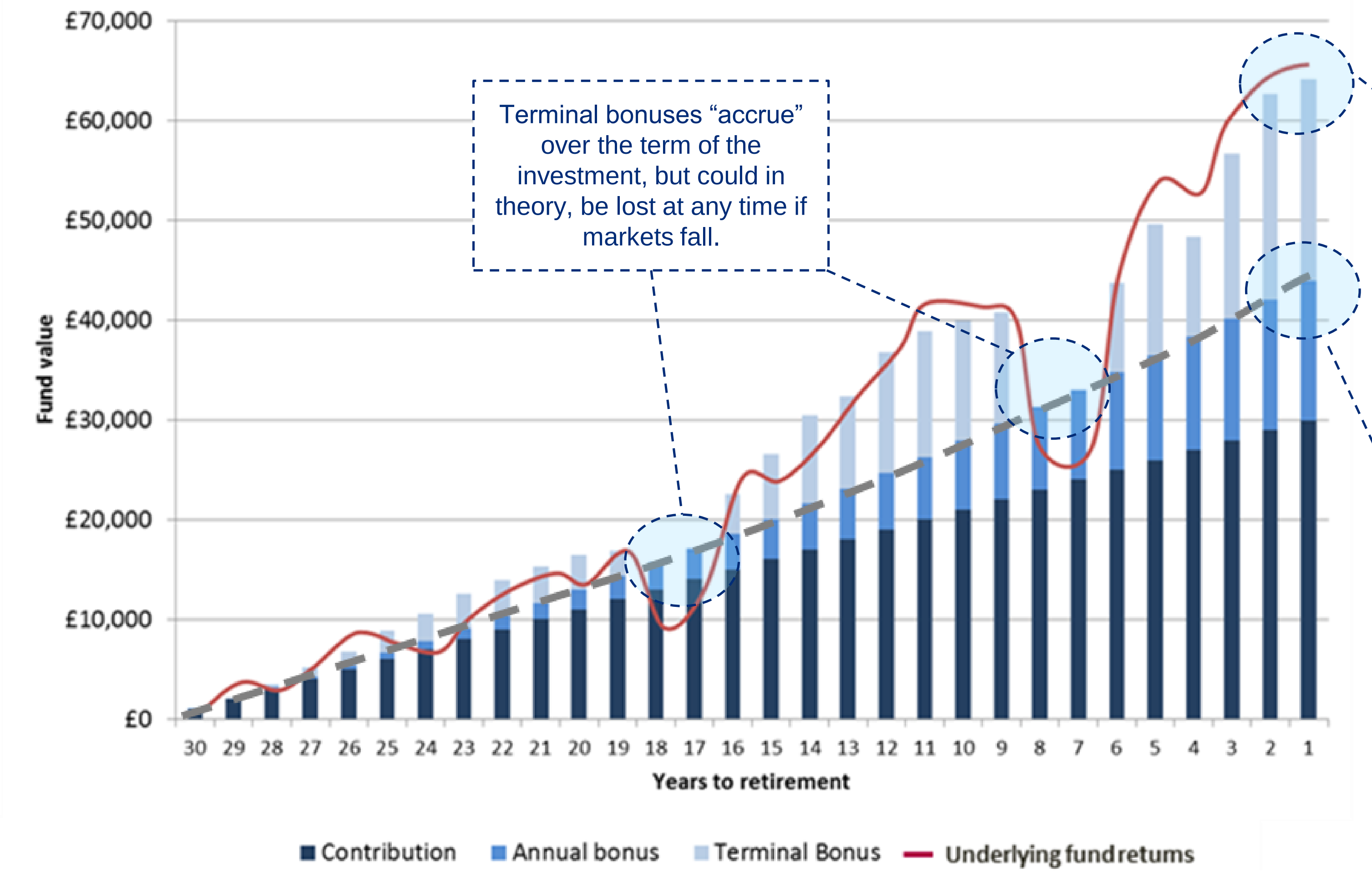
What should we consider when reviewing?

- Tracking error and performance, relative to stated benchmarks, of the funds.
- Any potential value-add from the managers e.g. online services etc.
- Fund charges.
- Mercer ratings, if available.

Overview of typical With Profit Funds

The chart below sets out the progression of a member's fund value throughout the lifetime of a typical with profits investment. The figures shown are for illustrative purposes only.

Tudalen 488



Returns on the underlying investments can be positive or negative

The net contribution fund plus annual bonuses usually cannot be reduced *(unless disinvested before the members pre selected retirement date)*. This provides a potentially valuable capital guarantee, which is not available on other investments.

Overview of typical With Profit Funds

The Positives

Tudalen 489

- With profits funds are typically considered to be a fairly secure medium to long-term investment with reasonable potential performance from a pooled mix of assets including equities, property, bonds and cash.
- The costs of running with profits fund are largely deducted from the fund and what is left over is available to be paid to the with profits investors as “bonuses”:
  - Annual (Reversionary) bonus: which may or may not be partially guaranteed, and
  - Terminal (Final) bonus: a final bonus may be added on disinvestment (switch, transfer, retirement or death) depending on the performance of the underlying fund. These bonuses are payable by most (but not all) with profits funds.
- To avoid big changes in the size of bonuses each year, the insurer will hold back some of the return from ‘good’ years to provide a reasonable return during ‘bad’ years. This is known as “smoothing”.
- Older policies (typically pre 1990) may provide Guaranteed Annuity Rates (GARs) or other pension guarantees (which can be very valuable), more recent policies (up to around 2003) may also provide a Guaranteed Interest Rate (GIR). These may have been withdrawn or reduced for more recent new contributors or contribution increments.

Overview of typical With Profit Funds

The Less Positives

- Annual Bonuses are a poor indicator of performance. Minimising guaranteed bonuses reduces the proportion of the with profits fund which insurers have to invest cautiously (to protect their solvency position). On the other hand, low bonuses may just reflect poor underlying investment performance and/or low solvency reserves.
- Terminal / Final bonuses can be a huge proportion of the overall return and, in theory at least, they could be withdrawn overnight. Equitable Life hasn't paid terminal bonuses since the 1990s, though the Capital Distribution is similarly "at risk".
- Guarantees (within the with profits fund rather than a specific policy) can necessitate a more cautious underlying investment strategy, to maintain the insurer's solvency. This can severely restrain future investment performance for other policyholders too.
- Insurers can impose a Market Value Reduction (MVR) if disinvestment is other than (usually) the pre-selected retirement date or prior death. This could more than negate a terminal bonus.
- Historically, payout examples (reported in later slides) were provided via insurers' regulatory returns, but these ceased to be available in 2017 due to the Solvency II Directive.

AVCs – Why this requires attention

Case Study

Client had a 1,000 person DB Scheme. AVC arrangements were not reviewed over many years

The Scheme had AVCs with:

- Prudential
- Phoenix Life

AVC investments with Phoenix Life were invested in Deposit Funds, and had been since 1998 without the Trustee undertaking a review on suitability

A Phoenix Life member made a complaint through his IFA citing the Trustee not delivering the required level of AVC governance

The Ombudsman ruled in favour of the member which involved significant investigative time from Trustees and their advisors

An agreed compensation amount was paid to the member by the Trustee. All other members invested in the Deposit Fund over this period of time were also included for a compensation payment.

The cost of investigation work to resolve the complaint was £35,000.

The compensation cost for all affected members was £140,000

The Trustee then reviewed all AVC arrangements. Issues identified were AVC members that had taken main scheme benefits, members who had died, unsuitable investment choices, poor member communications.

Changes were made as a result of the AVC review including consolidating to 2 AVC providers.

Members achieved better outcomes and risks to Trustees reduced.

ABI Sector Benchmarks

What are ABI sector benchmarks?

The Association of British Insurers ("ABI") maintains a range of sector benchmarks for unit-linked life and pension funds. As at October 2022, there were 34 ABI sector benchmarks. ABI sector benchmarks are **peer group benchmarks**. The ABI has full discretion to set and update ABI sector definitions. An independent third party, Refinitiv, categorises unit-linked life and pension funds into the sectors and monitors sectors to ensure that funds are categorised correctly on an ongoing basis. The ABI sector benchmarks are designed to facilitate comparisons between similar unit-linked life and pension funds.

What are the drawbacks of ABI sector benchmarks?

- In order to create peer groups, ABI sets minimum and maximum exposure limits to certain asset classes within each sector benchmark. In practice, ABI sector definitions are **very broad**, for example:
  - ➢ Equity sector benchmarks are typically required to invest at least 80% of assets in equities. The benchmark does not specify how the remainder is to be invested so up to 20% of the fund could be invested in any other asset class.
  - ➢ "Mixed Investment" sector benchmarks are even broader. Funds within the Mixed Investment 40-85% Shares benchmark may invest anywhere between 40% and 85% of their assets in equities with the remainder unspecified.
  - ➢ "Flexible Investment" sector has no asset class limits and affords managers significant asset allocation discretion – the dispersion of funds in this sector may be sufficiently broad as to reduce its value for relative performance assessment purposes.
- ABI sector criteria may at times **overlap**. One fund may meet the requirements of more than one benchmark.
- ABI reserves the right to **change sector definitions at any time** and without prior notice.

Due to these factors, **funds within the same peer group may exhibit significant dispersion of risk and return characteristics**. A fund benchmarked against an ABI sector may have returns that differ vastly from its sector.

With Profits AKG Ratings

The ratings shown are provided by AKG Financial Analytics Limited (AKG), and are contained within AKG's latest UK Life Office With Profits Report. They are shown here with AKG's prior consent. Further information on AKG's With Profits Report is available at: https://www.akg.co.uk/information/reports/with-profits-reports.

Providers are ranked out of 5 (with 5 being the highest rated) against their competitors (those With Profits funds which are broadly comparable).

Financial Strength: This is an assessment of the position and ability of a with profits fund to maintain the operational characteristics specifically required for customers.

Future Performance: The potential for future performance is made up of a variety of different factors including current investment philosophy, company and, if available, fund-level solvency coverage position, overall size of the company, its with profits fund and its capital base, bonus philosophy and Estate distribution.

Transparency: Given there is no industry wide standard when evaluating transparency and openness AKG take a number of criteria into account. including approach to communications (for example in run off) to enable customers to make informed decisions, the extent to which they are subject to independent audit and review as well as the amount, quality and timeliness of information to the various stakeholders.

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DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.151	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

No action has been taken since the August 2023 Committee.

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 September 2023 was £44.8m (£10.9m at 30th June 2023). The large increase is due to the Fund's partial redemption from the Man Hedge Fund mandate, that was reported at the last Committee in August 2023. There were several Private Market capital calls during the period (drawdowns exceeded distributions by £11.6m 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
1.152	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 August 2023 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Full redemption LGIM Future World European Equity Fund - £25.8m (-1.5% realised loss)
- Invest £14m in LGIM Over 5 Years Index-Linked Gilt Fund
- Invest £11.8m in LGIM Emerging Market Passive Local Currency Government Bond Fund
- Full redemption LGIM High Yield Bond Fund - £22.6m (0.7% crystallised gain)
- Full redemption LGIM Listed Infrastructure (GBP Hedged) - £26.3m (3.4% crystallised gain)
- Invest £11.4m in LGIM Future World Japanese Equity Fund
- Invest £13.2m in LGIM Over 5 Years US Index-Linked Index Fund
- Invest £24.2m in LGIM Sterling Liquidity Fund
- Partial redemption £12.6m LGIM Sterling Liquidity Fund
- Invest £12.6m in LGIM Over 5 Years US Index-Linked Index Fund

The current allocations within the portfolio following the transactions are:

- US Equities (2.0%)
- Japanese Equity (1.6%)
- Maturing Bonds (0.7%)
- Short Dated Bonds (1.7%)
- Liquidity Fund (1.2%)
- Index-Linked Bonds (2.2%)
- Emerging Markets Government Bonds (1.6%)

As at the end of September 2023, the Best Ideas portfolio 1 year performance was +2.3% against a target of +6.0% and the 3 year performance was +8.1% against a target of +7.0%.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.153	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.

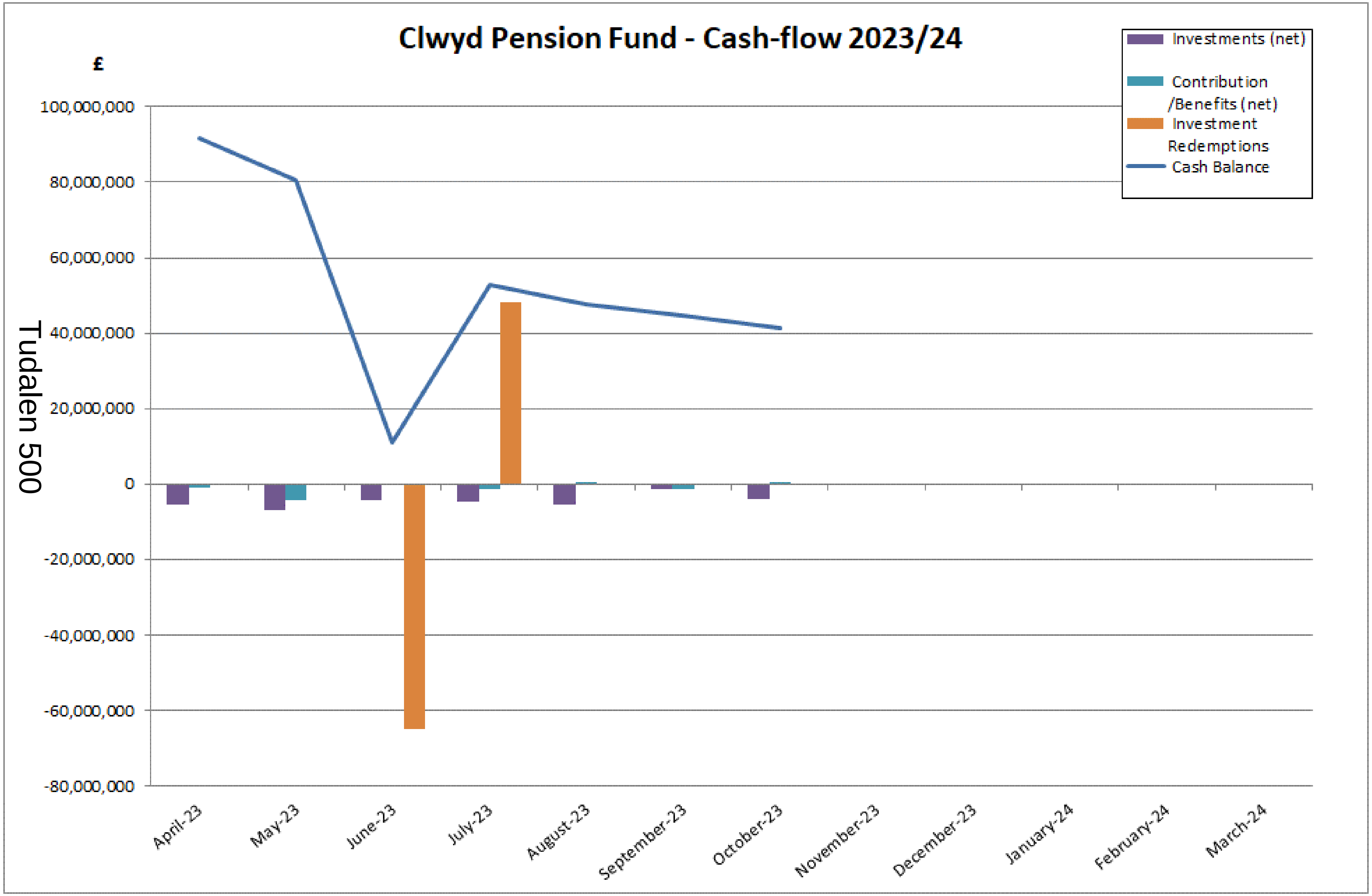
A review of the existing portfolio and future cash flows has been undertaken by Consultants to establish the forward work plan. Future commitments to Private Equity, Infrastructure and Private Debt investments, are now made through the Wales Pension Partnership (WPP). The Fund Consultants continue to 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 August committee and is detailed below and is referenced in 1.07 within the main report.

Private Debt

- Ambienta, Sustainable Credit Opportunities I – £10m (€12m)


Clwyd Pension Fund - Cash-flow 2023/24
£
Investments (net)
Contribution /Benefits (net)
Investment Redemptions
Cash Balance
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
-20,000,000
-40,000,000
-60,000,000
-80,000,000
April-23
May-23
June-23
July-23
August-23
September-23
October-23
November-23
December-23
January-24
February-24
March-24

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Funding & Investment Risks (includes accounting and audit)

Impact						
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.

16 November 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	March 2024 (market dependent)	1 - Continue to monitor market conditions and respond through the strategy review (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	28/02/2024	29/11/2023
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	March 2024 (market dependent)	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) 3- Investment Strategy Review (PL)	Dep. Head of CPF	28/02/2024	29/11/2023
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 continues to be monitored and reported.	Marginal	Very Low		Current impact 1 too high Current likelihood 1 too high	31/03/2016	March 2024 (market dependent)	1 - Continue to monitor market conditions and respond through the strategy review (DF) 2 - In conjunction with Risks 3 and 5 – overall market conditions are monitored continuously (DF)	Dep. Head of CPF	28/02/2024	29/11/2023
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	28/02/2024	29/11/2023
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 Waystone 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 - Investment Strategy Review (PL)	Dep. Head of CPF	28/02/2024	29/11/2023
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) 2 - Investment Strategy Review (PL)	Dep. Head of CPF	28/02/2024	29/11/2023
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	28/02/2024	29/11/2023
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. 5. RI Framework in place to assess RI risks and impacts holistically 6. Fund has in place an Exclusion Policy	Critical	Low		Current likelihood 1 too high	03/02/2020	March 2025	1 - Implement the responsible investment plan as outlined in the business plan including a review of the current carbon reduction targets, and initial training on nature related financial disclosures. 2 - Work with WPP to ensure the Fund is able to implement the Fund's RI Policy and ambitions effectively via WPP 3 - Investment Strategy Review	Dep. Head of CPF	28/02/2024	29/11/2023

CLWYD PENSION FUND COMMITTEE	
Date of Meeting	Wednesday, 29 November 2023
Report Subject	Funding and Investment Performance
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The purpose of this report is to update the Committee on the Economy and Markets, and the Performance of the Fund's investments, as well as the funding and risk management framework. The reports cover the period ending 30 September 2023, and are attached as appendices to this report.

Economy and Markets

- Global equities posted small returns over the quarter returning +0.9%, whilst fixed interest and index-linked gilts returned –5.7% and -6.4%, respectively.
- Both the Federal Reserve and the Bank of England raised interest rates over the quarter, this coupled with headline UK inflation remaining high at 6.7% for the year to September and drove market movements over the quarter.

Performance Monitoring Report

- The Fund's total market value decreased in value by £57m to £2,229.4m over the three month period.
- Fund performance over 3 months, 12 months, 3 years and 5 years; -2.2%, +1.7% +4.5% p.a. and +3.9% p.a., respectively.
- Fund performance is ahead of the composite benchmark for the 3 year period, though behind in relation to other periods.

Funding and Risk Management

- The estimated funding position at 30 September 2023 of 105% is in line with the expected position.
- The total gain since inception of the synthetic equity strategy to 30 September 2023 is c. £90.5m. The currency hedging positions have made a loss of £16.5m in total since inception to 30 September 2023.
- Since the last update, a number of interest rate triggers were hit in August 2023, allowing the Fund to purchase gilts at attractive levels.

RECOMMENDATIONS	
1	That the Committee note the report and the various actions taken in relation to the funding and risk management framework.

REPORT DETAILS

1.00	**INVESTMENT PERFORMANCE AND ECONOMIC RELATED MATTERS**
1.01	**Economic and Market Update** The economic and market update for the quarter from the Fund's Investment Consultant is attached in Appendix 1. The report contains the following key sections: • **Economic and Market Background** – an overview of markets in the quarter, including commentary on key economic indicators • **Equity Market Review** – information on the performance of equity markets during the quarter and key drivers of markets • **Bond Market (Fixed Income) Review** – provides an update on bond yield movements and interest rates for the period • **Currencies, Commodities and Alternatives Review** – provides an update on the performance of Sterling against other currencies as well as highlighting movements in major commodity and alternatives asset classes for the period
1.02	Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions. Inflation expectations also continued to decline over the quarter. UK GDP is estimated to have increased to 0.2% in the second quarter of 2023. Headline inflation in the UK fell to 6.7% in August and September from 7.9% in June. The Bank of England maintained interest rates at 5.25%. Global equities returned 0.9% in sterling terms and -2.2% in local currency terms as the dollar appreciated versus sterling. UK real yields rose most in the long end of the curve, led by spill over effect from the US real yields move. UK inflation remains considerably above target. Real yields, for all maturities remain in positive territory. Market based measures of inflation expectations, in the form of breakeven inflation were flat over the quarter. The UK 10-year breakeven rate finished the quarter at 3.85%. Market based measures of inflation expectations for the US rose over the quarter. 10-year global government bond yields rose sharply over the quarter. Across developed markets, curves steepened after prolonged flattening since the start of the central banks' policy tightening. In the UK, short-dated gilts were volatile and fell sharply post lower than expected inflation numbers and the BoE's dovish hikes. Intra quarter UK yields surpassed the levels witnessed during the gilt crisis in September 2022 but finished the quarter around 4.5%.

1.03	**Performance Monitoring report** Over the three months to 30 September 2023, the Fund's total market value decreased in value by £57m to £2,229.4m. The Total Fund has increased in value by £13.4m in 12 months to 30 September 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 Q3 2023, at the time of writing, gilt yields have decreased. Further information on the CRMF mandate is provided in 2.0 below.
1.04	The performance against benchmark 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 Fund	**-2.2**	**+1.7**	**+4.5**	**+3.9**
Total Benchmark	-0.6	+6.5	+4.1	+4.4

Q3 continued to be a difficult period for some of the Fund's underlying managers to achieve benchmark performance, given the current market environment and the absolute benchmarks some funds have. 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 broadly flat over the quarter for both these portfolios, the high hurdles in place have proved a challenge to achieve.

During the challenging market environment, the Fund has continued to monitor all assets closely and has made several active tactical decisions. As detailed in Appendix 3, 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 return 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 estimated funding position at 30 September 2023 of 105% is in line with the expected position.

1.05	The strongest absolute returns over the quarter came from the Infrastructure (3.3%) and Private Equity (3.2%) allocations within the Private Markets portfolio. The liability hedging portfolio decreased by -8.5% over the quarter to 30 September 2023, as real yields increased

	Over the 12 months to 30 September 2023, the WPP Multi-Asset Credit Fund generated the strongest returns of +8.4%. Total equities also generated strong positive returns, returning +4.7% for the period. The performance of individual managers is shown in Appendix 2 and is regularly reviewed by Officers and advisers.
1.06	All portfolio allocations held sit within the agreed strategic tolerance with the exception of Infrastructure within Private Markets, which is marginally underweight.
	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.07	**Update on funding and the flightpath framework** The monthly summary report as at 30 September 2023 from Mercer on the funding position and an overview of the risk management framework is attached in Appendix 3.
1.08	The estimated funding level is 105% at 30 September 2023, which is in-line with 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 overall investment environment has continued to be challenging over 2023-to-date amid rising inflation and interest rates. A soft funding level 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 discussions and 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.
1.09	The level of liability hedging as reported by Insight on the 2019 actuarial valuation basis (gilts+ a fixed margin equivalent) was approximately 68% for interest rates and 40% for inflation at 30 September 2023. The liability hedging portfolio performed negatively (but in line with expectations given market conditions) over the quarter to 30 September 2023 as real yields rose across all maturities. 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. A number of interest rate triggers were hit in August 2023, allowing the Fund to purchase gilts at attractive levels. This has increased the interest rate hedge ratio from c. 67% to c. 68%. Following the 31 August 2023 FRMG meeting, interest rate triggers were paused given potential collateral constraints and pending further discussions from a wider investment strategy review to take place in the early part of 2024. Collateral remains in a healthy position, with the portfolio currently able to withstand an interest rate rise in excess of 5% 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 (TPR) in April 2023 as per paragraph 1.10 below.
1.10	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.
1.11	Based on latest data available from Insight, Mercer's analysis shows that the management of the Insight Liability Hedging mandate is rated as "green" as at 30 September 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 30 June 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 marginally outperformed over Q2 2023. The collateral waterfall has returned £6.5m at 30 June 2023 since implementation at 31 January 2019. The collateral waterfall structure is reviewed on an ongoing basis. 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, the remaining assets within the collateral waterfall were divested to help fund the allocation to WPP Sustainable Equity in line with the agreed strategy. Officers and Mercer are satisfied that following this divestment, the portfolio will continue to comfortably comply with the latest TPR guidance as noted in 1.10 above.
1.12	**Update on Risk Management framework** **<u>(i) Synthetic equity and equity protection strategy</u>** Within the Risk Management Framework 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 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 and can be rolled over if required. The Fund implemented c. £215m of exposure in long-only synthetic equity positions in October and November 2022 to replicate the exposure removed from equity sales to support the collateral position within the Flightpath on a temporary basis. The October 2023 maturing long-only synthetic equity position was rolled over and switched to reference the MSCI World Climate Paris Aligned (PAB) benchmark. The other long-only synthetic equity position maturing on 1 November 2023 was allowed to roll off in order to bring the Fund's actual equity exposure closer to target. Both positions consisted of broad developed market exposure and were 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 30 September 2023, these swaps had experienced a gain of c. £16m since inception. Once the collateral waterfall asset sale proceeds settle in November, they will be used to fund the strategic allocation to the WPP Sustainable equity mandate. It has been decided that the synthetic equity exposure won't be adjusted at this point pending the wider investment strategy review. This means the Fund will be running a small overweight allocation to equities in the interim. As at 30 September 2023, the total performance since inception of the bespoke TRS synthetic equity and equity protection strategy in May 2018 was an increase of c. £90.5m.
1.13	**(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 £20.6m since inception on 8 March 2019 to 30 September 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. £16.5m 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 £37.1m 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.
1.14	**(iii) <u>Update to the reported interest rate and inflation hedge ratios for Q4 2023 reporting cycle onwards</u>** The current liability hedging basis that Insight use for the interest rate and inflation hedge ratios within their reporting is based on market conditions as at the 2019 Actuarial Valuation. The FRMG is currently updating the liability benchmark for the 2022 Actuarial Valuation and as part of this, and following advice from Mercer, the hedging basis Insight use will be revised.

Once the hedging basis is updated, the hedge ratios will be re-expressed on the new basis. Mercer have confirmed there will be no change to the gilt exposure in £ terms 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, the reported interest rate and inflation hedge ratios will be lower than Insight are currently stating once the basis is updated for the Q4 2023 reporting cycle onwards.

Insight report hedging levels relative to a gilts basis, whereas the Fund's Actuary uses a CPI-linked discount rate. This is calibrated so liability values are broadly equal at each triennial actuarial valuation, and Mercer have been using Insight's stated hedge ratios in their regular reporting and monitoring to the Fund.

In between actuarial valuations and recalibrations, if there has been significant changes in real yields (gilt yields relative to CPI inflation), the Insight reporting basis can diverge from the Actuary's funding basis. This is what has been observed following the significant rises in gilt yields over the past 18 months. Therefore, Mercer have advised that the hedge ratios Insight have been reporting are not a true reflection of the actual level of hedging within the Fund. However, these have been reported to the Committee in order to be consistent with the Insight reporting and trigger framework levels.

Given the recalibration carried out by Mercer following the 2022 actuarial valuation to re-align the Insight basis with the Fund's funding basis, there will be a step change in the reported hedge ratios from Q4 2023 onwards. It is important to note that Mercer have advised that this has no impact on the actual gilt exposure and therefore risk levels within the Fund, rather it is a reflection of the limitations in the methodology for reporting the hedge ratios.

To address this issue, Mercer are moving to reporting interest rate and inflation hedge ratios as a proportion of the Fund's total asset value. This is a more representative and meaningful measure of the interest rate and inflation exposure within the Fund's portfolio. Making this change will avoid the hedge ratios reported to Committee deviating materially again in future following large changes in market conditions.

To illustrate the impact, as at 30 September 2023, the interest rate hedge ratio on the old Insight basis is 68%. Going forward under the new approach, the interest rate hedge ratio is 32% of a proportion of the Fund's assets.

Mercer have advised that the change is for reporting purposes primarily, ensuring the hedge ratios are expressed in a more meaningful way given the changes in market conditions. There is no change to the amount of asset hedging exposure, meaning the risk levels within the Fund are not impacted and there is no impact on the Fund's funding position.

Further, Mercer have advised the Fund should not be looking to increase hedging directly as a result of these changes, which are purely cosmetic in nature. Further consideration will be given to the hedging strategy as part

	of the wider strategy review.

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 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 – Economic and Market Update – 30 September 2023 Appendix 2 – Performance Monitoring Report – 30 September 2023 Appendix 3 – Monthly Monitoring Report – 30 September 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 list of commonly used terms are as follows: (a) **Actuary -** A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise. (b) **Administering Authority or Scheme Manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **Absolute Return –** The actual return, as opposed to the return relative to a benchmark. (d) **Annualised –** Figures expressed as applying to 1 year. (e) **Clwyd Pension Fund (the "Fund")** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (f) **Clwyd Pension Fund Committee (the "Committee") -** the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund. (g) **Duration –** The weighted average time to payment of cash flows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (h) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund (i) **ISS – Investment Strategy Statement** The main document that outlines our strategy in relation to the

investment of assets in the Clwyd Pension Fund

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

(k) **Market Volatility –** The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.

(l) **Money-Weighted Rate of Return –** The rate of return on an investment including the amount and timing of cash flows.

(m) **Relative Return –** The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.

(n) **Three-Year Return –** The total return on the fund over a three year period expressed in percent per annum.

(o) **Time-Weighted Rate of Return –** The rate of return on an investment removing the effect of the amount and timing of cash flows.

(p) **TPR LDI Guidance** – Guidance issued by the Pensions Regulator in April 2023 covering the use of leveraged liability-driven investment by pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/liability-driven-investment)

(q) **Vanilla/unhedged Synthetic Equity** – Derivative contracts that enable the Fund to gain exposure to broad equity markets with no embedded equity protection. The change in value of vanilla contracts is perfectly correlated to the change in the value of broad equity market indices.

(r) **Yield (Gross Redemption Yield) –** The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash flows.

Further terms are defined in the Glossary in the report in Appendix 3 and a comprehensive list of investment terms can be found via the following link: https://www.schroders.com/en/uk/adviser/tools/glossary/

Mercer

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Clwyd Pension Fund

Economic and Market Update
Q3 2023

A business of Marsh McLennan

Monthly capital market monitor

Higher rates drive negative market performance

In September, global equities declined for the second month in a row. UK markets outperformed international markets. Energy was the only equity sector with positive performance. Negative market sentiment was driven by a sharp increase in interest rates, especially at the longer end. This also led to negative returns for fixed income.

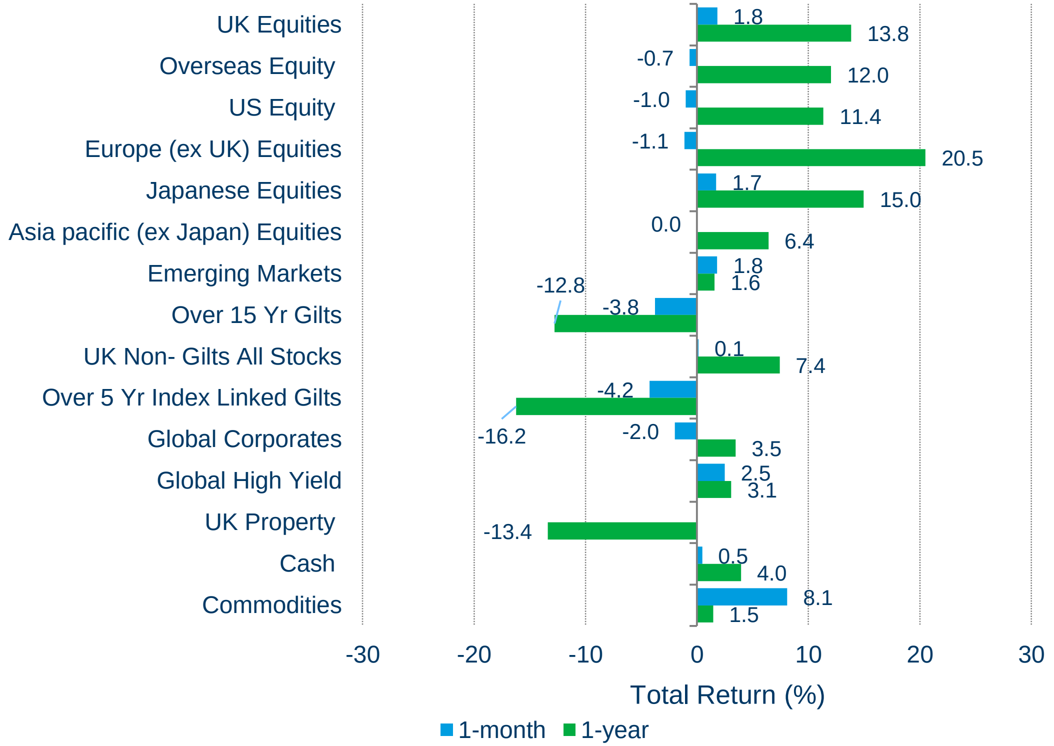
Yields spiked over the month as markets positioned for a ‘higher for longer’ rate environment. UK yields fell at short end of the curve and rose at the long end of the curve, and yields in other developed countries also rose. These higher rates in an environment of weaker economic growth sapped equity sentiment, especially for more rate-sensitive growth sectors. Rising rates also drove declines for fixed income asset class pricing, as well as gold given its sensitivity to real rates.

Forward-looking composite purchasing managers’ indices (PMI) remained close to or in contraction territory across major regions. Consumer confidence generally remains low. Labour markets appear to be cooling, with unemployment rising in major economies albeit from record lows. China showed some modest signs of improvement amid its slowdown. Overall, this paints a picture of a slowing global economy with mild recessionary dynamics in some regions being offset by modest growth in others.

US headline inflation moved higher mostly due to base effects, but core inflation continued to trend lower. A sharp increase in oil prices raised concerns about renewed inflationary pressures. In the UK and Eurozone, headline and core inflation continued to trend lower. Central Banks generally maintained their hawkish stance, which drove upward pressure on yields during the month. The Federal Reserve kept short-dated rates unchanged, but signaled the possibility of more rates hikes in the future. The Bank of England also maintained rate levels in order to evaluate the impact of recent hikes, while the European Central Bank hiked for the 10th consecutive time. The Bank of Japan remained the outlier, maintaining easy monetary conditions and conducting bond purchase operations.

In terms of geopolitics, negotiations over grain shipment routes out of Ukraine did not make progress. Fighting in the Ukraine continued, and the US added more foreign companies, accused of aiding Russia, to sanctions lists. Tense budget negotiations continued in the US, but a last-minute agreement averted a US government shutdown.

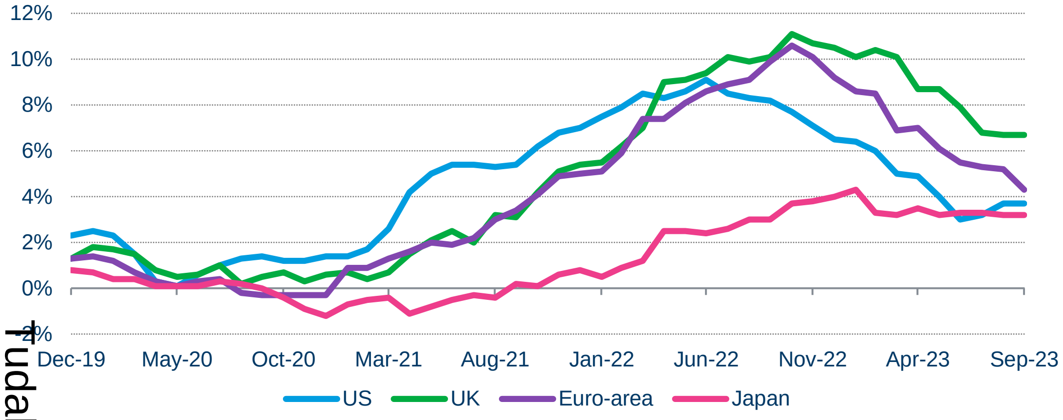
Sterling depreciated against most developed major currencies over September. REITs underperformed broad equities by a wide margin due to their rate sensitive nature. Commodities were roughly flat as a sharp increase in oil prices offset weakness in other commodity sectors.



Source: Refinitiv. Data as of 30/09/23. 1-year UK property returns are shown as 11-month return to

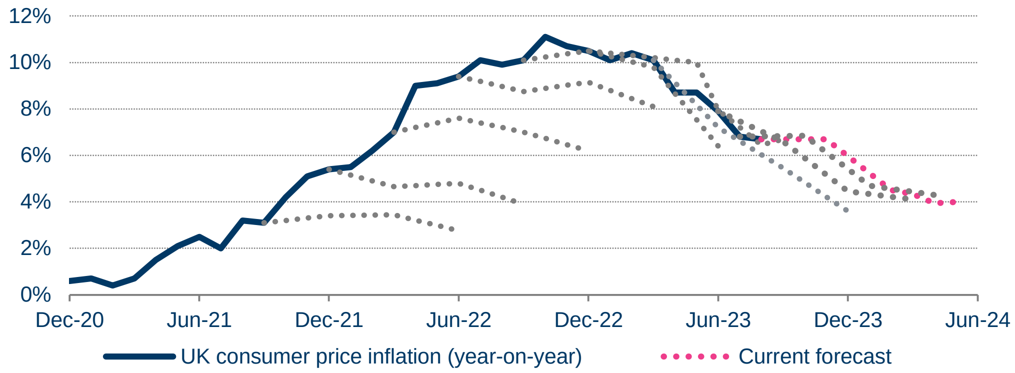
Key drivers

Global year-on-year consumer price inflation



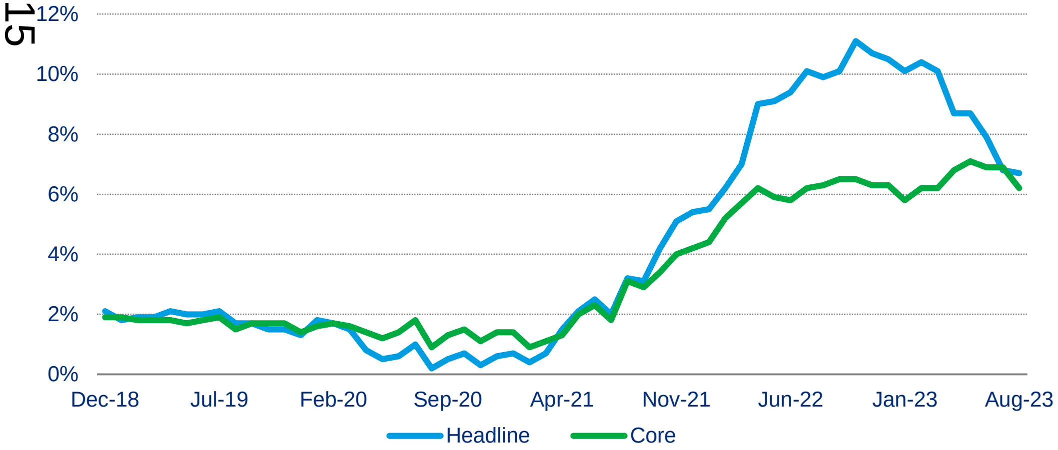
Source: Bloomberg. Data as of 30/09/2023

UK year-on-year inflation – current and forecast



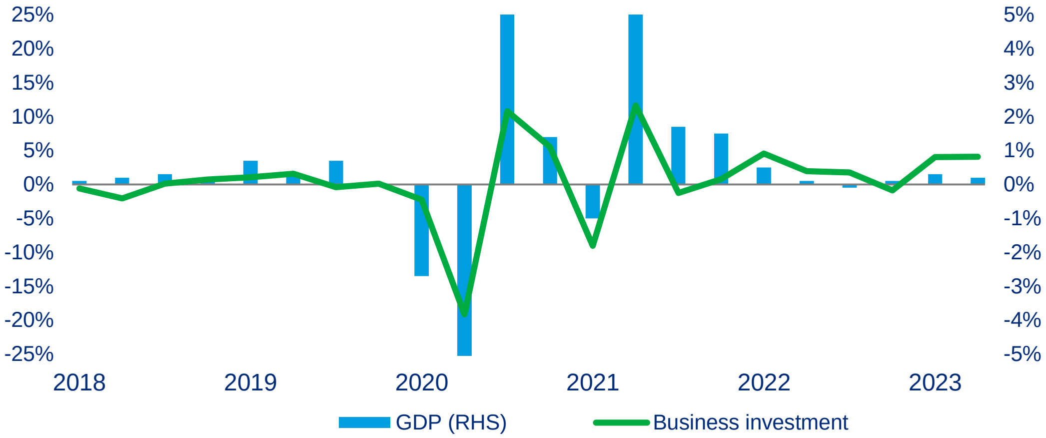
Source: Bloomberg. Data as of August 31, 2023. The consensus forecast lines are four quarter forecasts as at each

UK Inflation



Source: Bloomberg. Data as of 30/09/2023.

UK GDP and Business investment

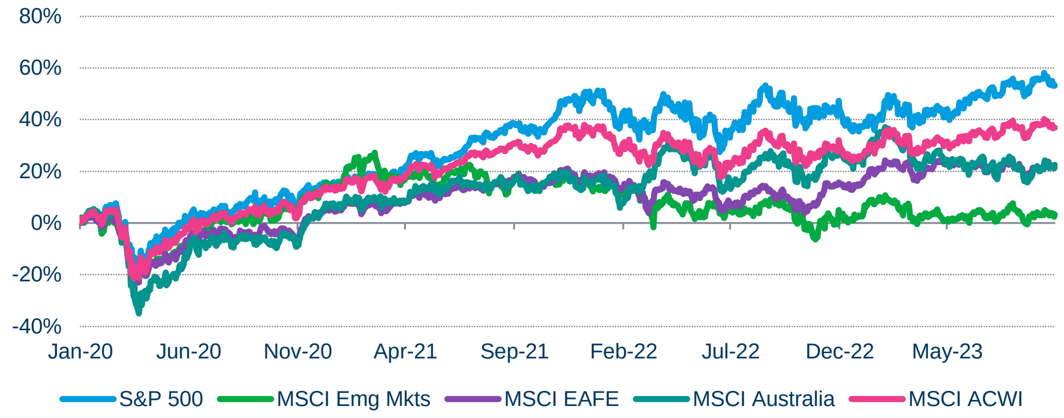


Source: Bloomberg. Data as at 31 August, 2023.

Equities

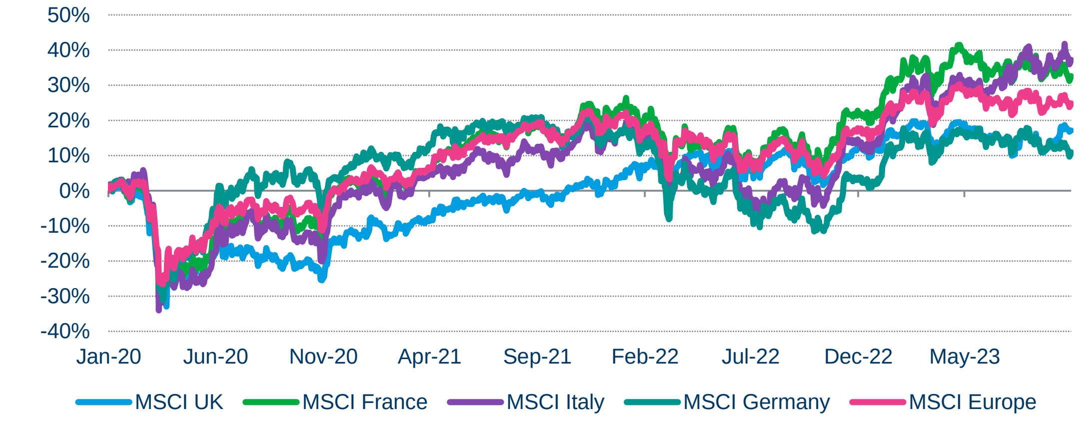
- UK equities returned 1.8% over September 2023 in Sterling terms and outperformed overseas equities which returned -0.7%. Outperformance in UK equity was driven by strong returns in energy and materials sectors.
- In the US, equities returned -1.0% over September and underperformed most developed and emerging countries. This was driven by negative sentiment around interest rates remaining higher for longer. Returns in continental Europe were also weak driven by weaker economic growth in Europe.
- 116 S&P 500 companies have issued EPS guidance with 64% of companies forecasting negative EPS, which is more negative than the 5 and 10 year average. For Q3 earnings there is an estimated earnings decline of -0.1% which would mark the fourth consecutive quarter of declines.[1]
- Emerging markets returned 1.8% over September outperforming most developed markets. But performance in China was still poor as China's economy continues to be weak due to its distressed property sector.

Global Equity Performance (GBP)



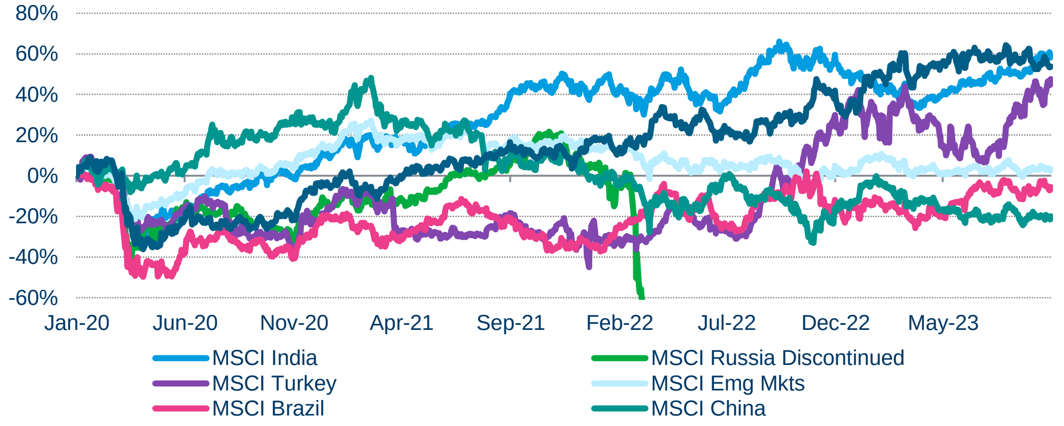
Source: Refinitiv, Data as at 30/09/2023

European Equity Performance (GBP)



Source: Refinitiv, Data as at 30/09/2023

Emerging Market Equity Performance (GBP)



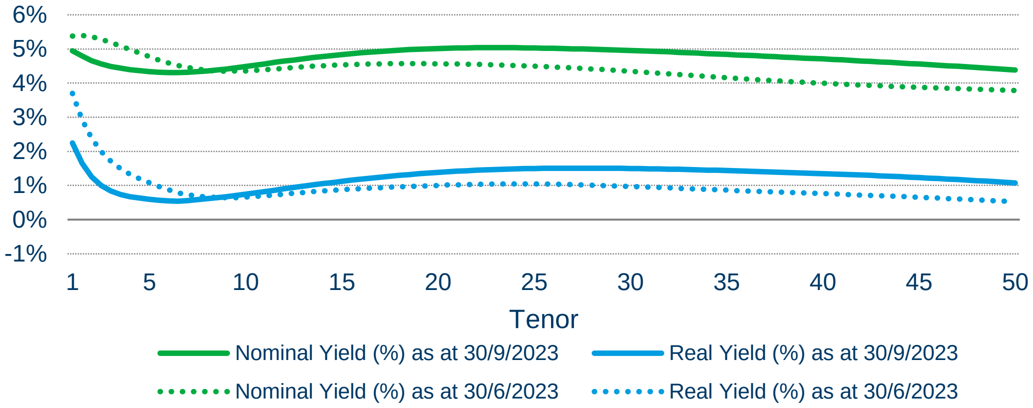
Source: Refinitiv, Data as at 30/09/2023

[1] https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_092923.pdf

UK Fixed Income

- Global bond markets witnessed sharp yield increases at the back end of the curve through September. Bond yields rose as a result of expectations of higher for longer interest rates amid central bankers maintaining their hawkish stance, as well high government budget deficits.
- In the UK, yields fell at the front end and rose at the back end of the curve. The 2-year fell by 25bps and 10-year gilt yields rose by 8bps. Yields have fallen at the front end due to negative sentiment around economic growth and central bank policy, and have risen in the back end due to expectations of rates remaining higher for longer.
- Market based measures of inflation expectations rose slightly over the month. The 10-year UK breakeven increased to 3.85% from 3.77% in the month prior. The August headline CPI print surprised to the downside and fell to 6.7%.
- Credit spreads tightened during the month, with UK credit spreads decreasing 1bps, global investment-grade spreads increasing 7 bps and high yield spreads increasing 2 bps.

UK gilt curves

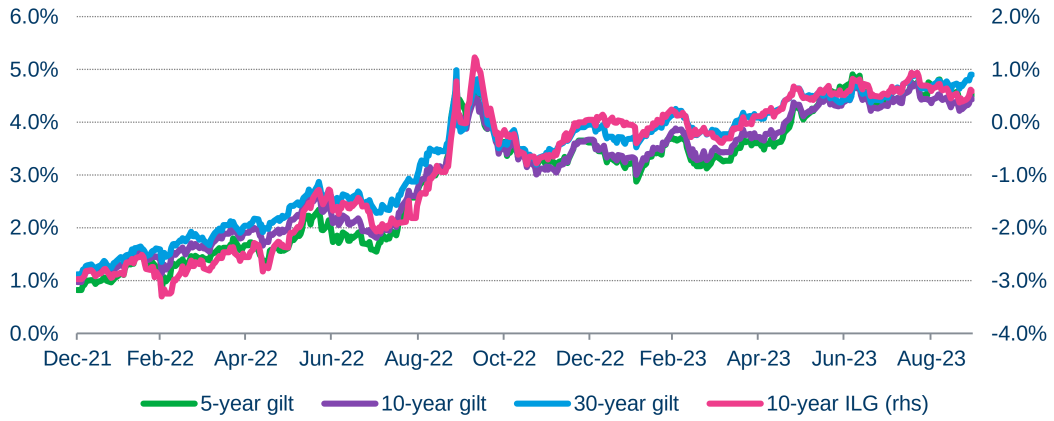


Source: Mercer. Data as of 30/09/2023

Corporate bond spreads

Source: Refinitiv, Data as at 30/09/2023

UK government bond yields

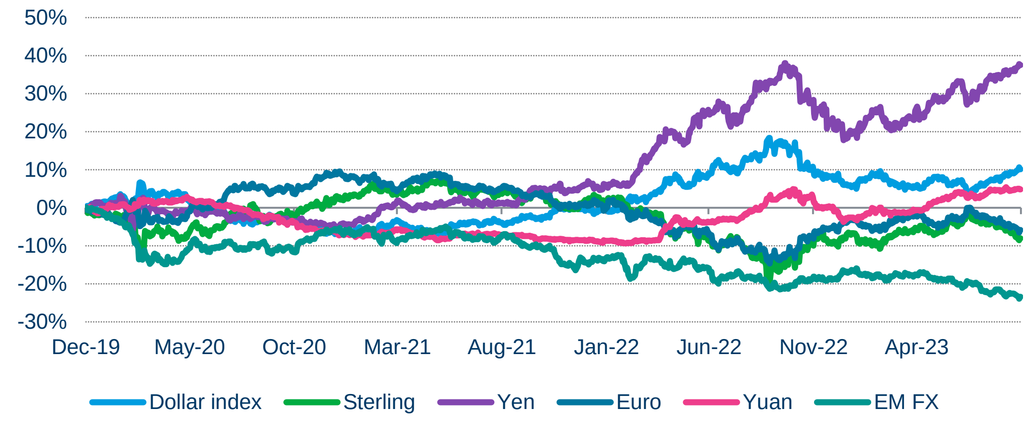


Source: Refinitiv, Data as at 30/09/2023

Currency and commodities

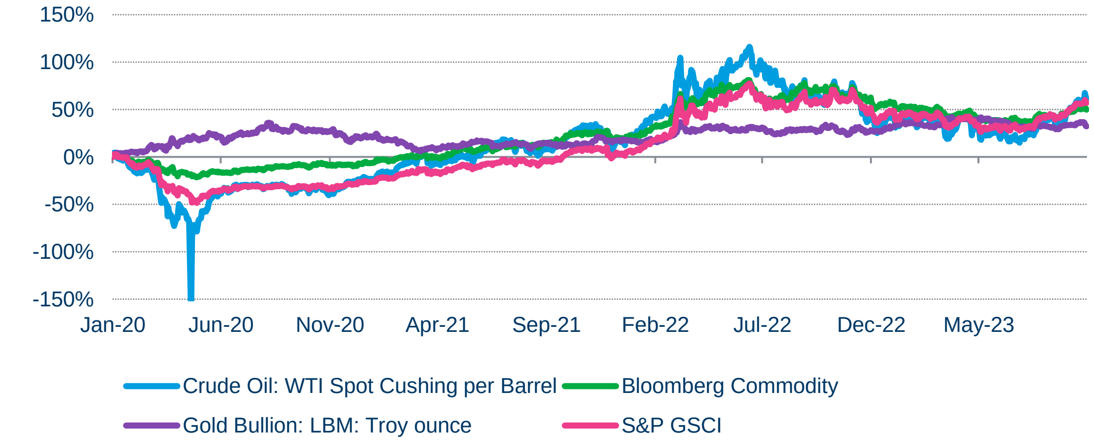
- Broad commodity returns were mixed through September and outperformed equities by more than 8%. Oil rose sharply by 12.7% during September.
- Sterling depreciated versus most major currencies through September. The US dollar strengthened against all major currencies over the month due to expectations that interest rates will remain elevated for a longer period of time.

Currency performance



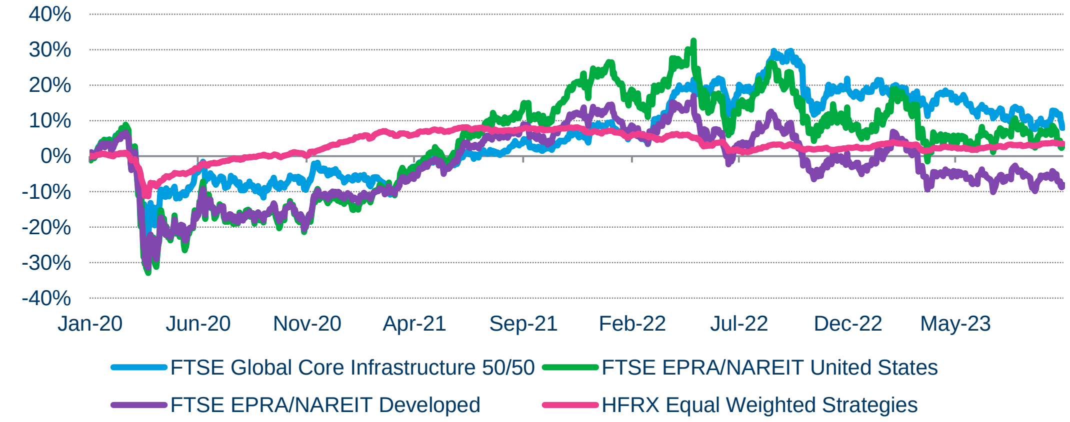
Source: Refinitiv, Data as at 30/09/2023

Commodity performance (GBP)



Source: Refinitiv, Data as at 30/09/2023

REITs, Hedge funds, Infrastructure performance (GBP)



Source: Refinitiv, Data as at 30/09/2023

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

Valuation and yields

Ending 30 September 2023

Valuations

FTSE ALL-Share	30-09-2023	30-06-2023	31-03-2023	31-12-2022
Index Level	8772.8	8610.8	8650.3	8391.9
P/E Ratio (Trailing)	11.8	10.5	10.5	12.0
CAPE Ratio	16.6	17.0	17.1	18.2
Dividend Yield	4.0	4.1	4.2	3.7
P/B	1.6	1.6	1.6	1.6
P/CF	8.1	5.8	5.8	5.0
MSCI World ex-UK	**30-09-2023**	**30-06-2023**	**31-03-2023**	**31-12-2022**
Index Level	8755.5	9077.1	8480.6	7866.8
P/E Ratio (Trailing)	18.9	19.4	18.3	17.2
CAPE Ratio	25.2	26.1	24.6	24.6
Dividend Yield	2.1	2.0	2.1	2.3
P/B	2.9	3.0	3.0	2.8
P/CF	13.9	13.4	12.3	12.0
MSCI EM	**30-09-2023**	**30-06-2023**	**31-03-2023**	**31-12-2022**
Index Level	494.9	509.8	505.3	486.1
P/E Ratio (Trailing)	13.8	13.0	12.6	12.4
CAPE Ratio	16.6	16.8	16.4	17.0
Dividend Yield	2.9	3.0	3.2	3.2
P/B	1.5	1.5	1.6	1.6
P/CF	8.2	8.3	7.5	9.1

Yields

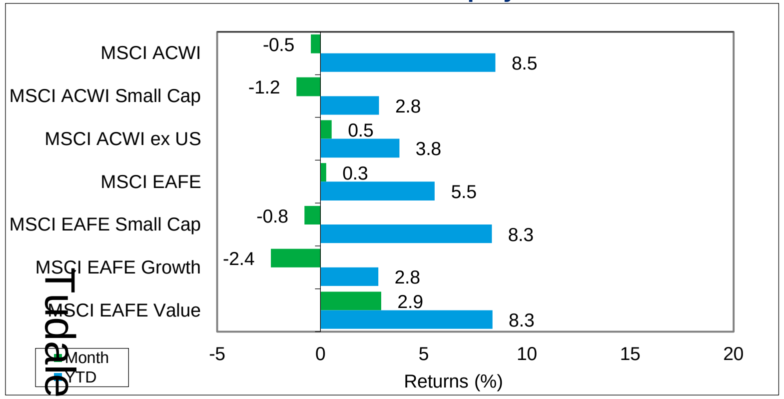
Global Bonds	30-09-2023	30-06-2023	31-03-2023	31-12-2022
Germany – 10Y	2.84	2.39	2.29	2.57
France - 10Y	3.40	2.93	2.79	3.12
US - 10Y	4.57	3.84	3.47	3.87
Switzerland – 10Y	1.10	0.96	1.25	1.62
Italy – 10Y	4.78	4.07	4.10	4.72
Spain 10Y	3.93	3.39	3.30	3.66
Japan – 10Y	0.77	0.40	0.35	0.42
Euro Corporate	4.52	4.44	4.22	4.32
Euro High Yield	8.43	8.29	8.18	8.32
EMD ($)		9.66	8.55	9.57
EMD (LCL)	7.01	6.66	6.78	7.00
US Corporate	6.04	5.48	5.17	5.42
US Corporate High Yield	8.88	8.52	8.96	9.68
UK Bonds	**30-09-2023**	**30-06-2023**	**31-03-2023**	**31-12-2022**
SONIA	5.19	4.93	4.18	3.43
10 year gilt yield	4.44	4.39	3.38	3.67
30 year gilt yield	4.89	4.42	3.83	3.96
10 year index linked gilt yield	0.59	0.52	-0.29	0.06
30 year index linked gilt yield	1.47	0.95	0.37	0.55
AA corporate bond yield	5.42	5.71	4.76	4.79
A corporate bond yield	5.82	6.08	5.13	5.20
BBB corporate bond yield	6.45	6.82	5.84	5.96

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

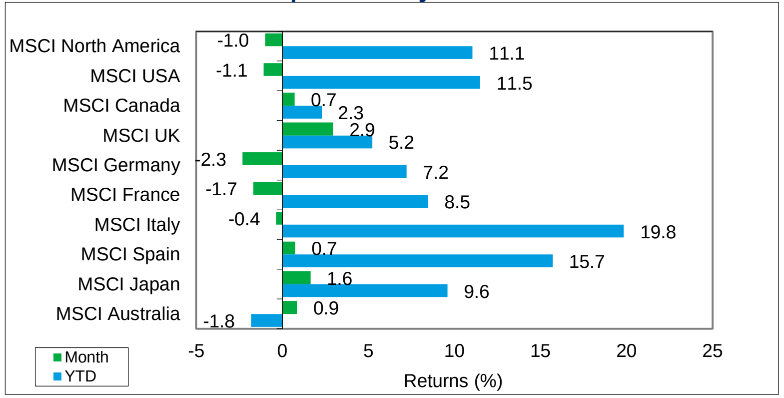
Performance summary (GBP)

International Equity ending 30 September 2023

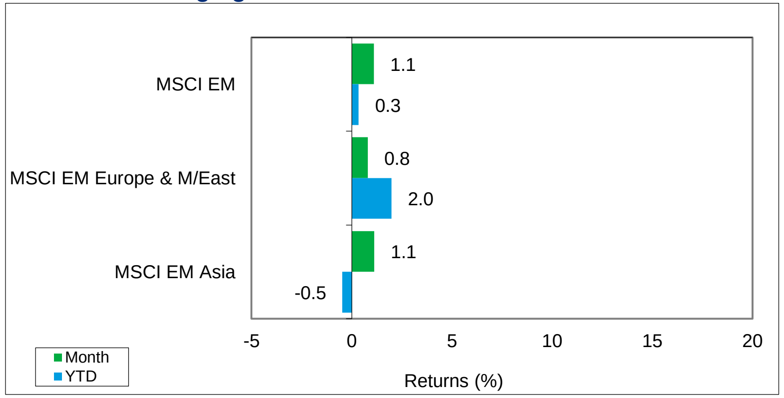
International Equity Performance



Developed Country Performance



Emerging Market Performance

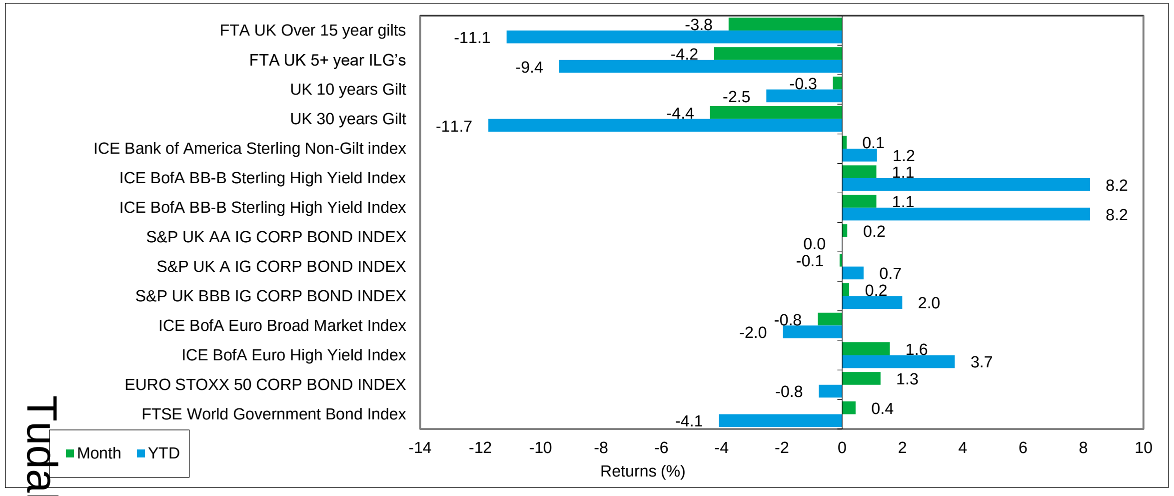


Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2022	2021	2020	2019	2018
MSCI ACWI	-0.5	0.6	8.5	10.5	2.9	9.0	7.9	9.6	10.6	9.4	-8.1	19.6	12.7	21.7	-3.8
MSCI ACWI IMI	-0.5	0.7	8.2	10.5	2.8	9.5	8.0	9.8	11.0	10.1	-7.7	19.8	13.2	22.1	-4.0
MSCI ACWI Small Cap	-1.2	0.6	2.8	5.4	-2.2	8.9	4.9	7.3	9.2	10.3	-8.4	17.2	12.7	19.8	-9.1
MSCI ACWI ex US	0.5	0.2	3.8	10.1	-0.2	5.7	3.9	5.7	6.3	7.7	-5.4	8.8	7.2	16.8	-8.9
MSCI EAFE	0.3	-0.1	5.5	14.9	1.9	7.8	4.6	6.2	6.8	7.5	-3.7	12.3	4.5	17.3	-8.4
MSCI EAFE Growth	-2.4	-4.8	2.8	9.8	-3.9	2.3	4.6	6.2	7.4	7.8	-13.2	12.3	14.6	23.0	-7.4
MSCI EAFE Value	2.9	4.8	8.3	20.3	7.7	13.3	4.2	5.9	5.9	7.1	6.3	11.9	-5.6	11.6	-9.5
EM	1.1	1.1	0.3	2.2	-5.8	0.2	1.9	4.1	5.0	9.0	-10.0	-1.6	14.7	13.8	-9.3
North America	-1.0	0.8	11.1	10.3	4.9	11.1	10.6	12.3	13.9	10.7	-9.4	27.6	16.2	25.7	0.1
Europe	-0.3	-1.0	6.4	17.8	3.5	9.3	5.3	6.7	6.8	7.8	-4.4	17.4	2.1	19.0	-9.6
EM Europe & M/East	0.8	3.2	2.0	-4.2	-15.3	0.1	-1.3	1.5	-0.6	4.5	-27.2	25.1	-10.4	14.6	-2.2
EM Asia	1.1	1.1	-0.5	2.4	-6.6	-1.6	2.3	4.9	6.8	9.4	-11.2	-4.2	24.4	14.6	-10.2
Latin America	1.4	-0.8	11.3	9.2	15.0	17.3	4.2	4.9	3.1	10.1	22.6	-7.2	-16.5	12.9	-0.8
USA	-1.1	0.9	11.5	10.7	5.0	11.1	10.8	12.6	14.4	10.8	-9.7	27.6	17.0	25.8	0.9
Canada	0.7	0.0	2.3	2.0	3.5	11.2	6.7	7.1	6.9	8.9	-1.9	27.1	2.1	22.6	-12.1
Australia	0.9	0.7	-1.8	5.4	3.2	10.4	5.8	6.6	6.4	9.8	6.7	10.4	5.4	18.2	-6.5
UK	2.9	2.6	5.2	14.2	8.9	14.2	4.2	5.4	5.5	6.9	7.1	19.6	-13.2	16.4	-8.8
Germany	-2.3	-3.9	7.2	23.9	-3.0	1.7	1.6	3.7	4.9	8.0	-12.6	6.3	8.1	16.1	-17.3
France	-1.7	-3.1	8.5	23.0	6.2	13.3	6.2	9.1	8.3	8.1	-2.4	20.6	0.9	20.9	-7.3
Italy	-0.4	2.1	19.8	40.5	10.2	15.8	7.9	9.9	7.2	4.3	-3.6	16.1	-1.3	22.4	-12.6
Spain	0.7	0.1	15.7	32.0	8.9	14.3	2.8	4.5	4.0	6.3	4.4	2.3	-7.7	7.7	-11.0
Japan	1.6	2.5	9.6	15.2	-0.8	4.8	3.4	5.8	7.4	6.2	-6.1	2.6	10.9	15.0	-7.5
Brazil	4.0	0.4	11.0	5.4	15.2	15.5	5.6	5.5	3.5	11.1	28.5	-16.6	-21.5	21.4	5.7
China	1.0	2.1	-8.6	-3.7	-13.3	-12.6	-2.9	1.6	4.6	10.0	-12.1	-21.0	25.5	18.7	-13.8
India	5.6	7.0	6.4	0.7	4.7	17.2	11.3	10.1	12.9	13.1	3.6	27.4	12.0	3.4	-1.5

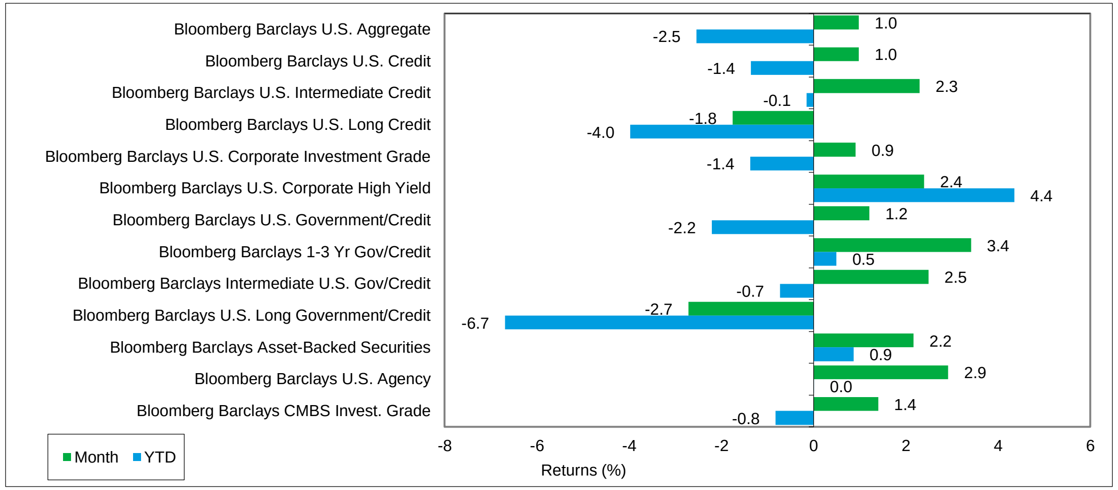
Performance summary (GBP)

Fixed Income ending 30 September 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	-3.8	-5.7	-11.1	-12.8	-25.0	-20.7	-8.4	-6.7	-0.4	2.8	-40.1	-7.3	13.9	12.0	0.3
FTA UK 5+ year ILG's	-4.2	-6.4	-9.4	-16.2	-23.0	-15.9	-6.4	-5.0	0.8	4.0	-38.0	4.2	12.4	6.8	-0.4
UK 10 years Gilt	-0.3	0.6	-2.5	-0.3	-11.4	-9.7	-3.2	-2.7	0.7	3.4	-20.1	-5.7	6.6	5.2	2.0
UK 30 years Gilt	-4.4	-6.5	-11.7	-13.0	-27.0	-21.8	-9.2	-7.6	-0.8	2.6	-42.7	-6.4	13.8	11.7	0.4
ICE Bank of America Sterling Non-Gilt index	0.1	2.2	1.2	7.4	-8.6	-5.9	-0.9	-0.7	2.0	3.8	-17.8	-3.0	8.0	9.5	-1.6
ICE BofA BB-B Sterling High Yield Index	1.1	3.7	8.2	15.2	-2.2	1.7	3.1	3.8	5.1	9.1	-11.1	3.0	6.1	13.8	-1.4
S&P UK AA IG CORP BOND INDEX	0.2	1.8	0.0	4.9	-8.7	-6.8	-1.6	-1.3	1.6	3.6	-17.3	-4.6	7.7	7.3	-0.3
S&P UK A IG CORP BOND INDEX	-0.1	1.7	0.7	6.4	-9.7	-7.2	-1.4	-1.3	2.0	3.6	-19.9	-3.7	8.4	10.4	-1.5
S&P UK BBB IG CORP BOND INDEX	0.2	2.6	2.0	9.1	-8.0	-4.9	-0.1	0.1	2.6	4.6	-17.4	-2.3	8.7	11.6	-2.6
ICE BofA Euro Broad Market Index	-0.8	-0.5	-2.0	-1.7	-8.6	-7.8	-2.6	-1.8	0.9	3.6	-12.2	-8.8	9.9	0.1	1.6
ICE BofA Euro High Yield Index	1.6	2.8	3.7	9.8	-2.8	-0.7	0.8	2.2	3.6	7.2	-6.5	-3.1	8.6	5.1	-2.5
EURO STOXX 50 CORP BOND INDEX	1.3	1.1	-0.8	1.2	-5.2	-5.0	-1.5	-0.8	1.1	--	-6.9	-7.3	8.5	-0.9	0.1
FTSE World Government Bond Index	0.4	-0.3	-4.1	-7.6	-6.8	-7.0	-1.3	-1.6	1.6	3.4	-8.0	-6.1	6.7	1.8	5.3
Bloomberg Barclays U.S. Aggregate	1.0	0.6	-2.5	-7.5	-2.7	-3.4	1.4	0.7	3.8	4.2	-2.5	-0.7	4.3	4.6	5.8
Bloomberg Barclays U.S. Credit	1.0	0.9	-1.4	-5.0	-3.2	-3.0	2.1	1.6	4.9	5.1	-4.9	-0.2	6.0	9.4	3.7
Bloomberg Barclays U.S. Intermediate Credit	2.3	3.0	-0.1	-4.7	0.4	-0.7	2.8	2.0	4.7	4.8	1.9	-0.1	3.8	5.4	5.9
Bloomberg Barclays U.S. Long Credit	-1.8	-3.5	-4.0	-6.0	-9.7	-7.2	1.1	0.8	5.5	6.0	-16.0	-0.3	9.8	18.6	-1.1
Bloomberg Barclays U.S. Corporate Investment Grade	0.9	0.8	-1.4	-4.9	-3.5	-3.1	2.2	1.7	5.0	5.2	-5.5	-0.2	6.5	10.2	3.3
Bloomberg Barclays U.S. Corporate High Yield	2.4	4.4	4.4	1.3	2.0	3.6	4.2	4.6	6.9	7.7	-0.5	6.1	3.9	10.0	3.6
Bloomberg Barclays U.S. Government/Credit	1.2	0.9	-2.2	-7.3	-2.8	-3.5	1.7	0.9	4.0	4.3	-3.1	-0.9	5.6	5.6	5.4

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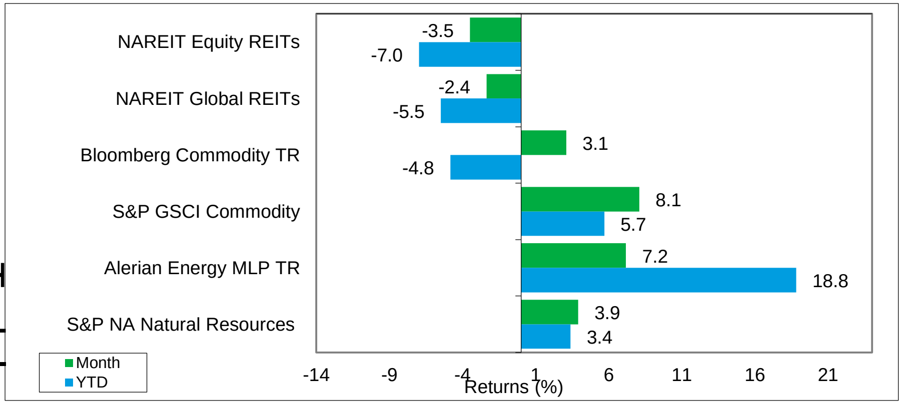
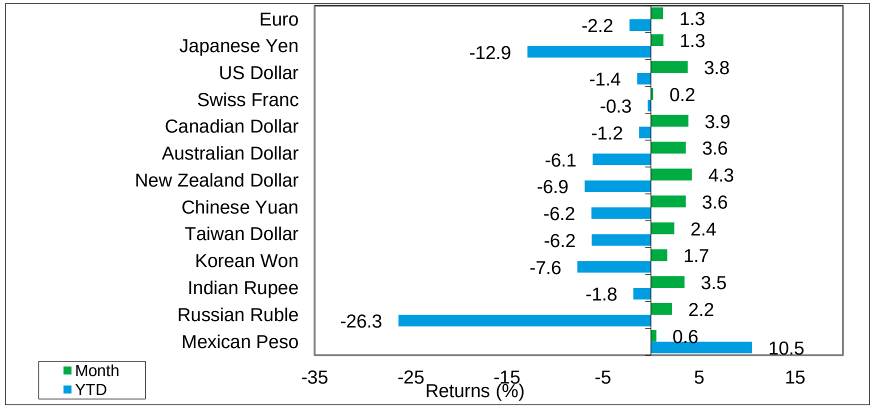
Performance Summary (GBP)

Alternatives ending 30 September 2023

Real Asset Performance



Performance of Foreign Currencies versus the US Dollar



Tudalen 522

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	-3.5	-4.5	-7.0	-10.1	-4.7	4.7	4.2	4.0	9.2	9.6	-15.5	42.6	-8.1	23.7	1.9
NAREIT Global REITs	-2.4	-1.7	-5.5	-6.1	-6.0	3.5	1.0	1.5	5.9	8.1	-14.9	28.4	-11.0	18.3	1.2
Bloomberg Commodity TR	3.1	9.1	-4.8	-9.7	10.4	18.5	7.5	5.6	2.1	2.3	30.7	28.3	-6.1	3.5	-5.7
S&P GSCI Commodity	8.1	20.8	5.7	1.5	23.1	32.0	7.0	8.3	0.3	1.2	41.9	41.6	-26.1	13.1	-8.5
Alerian Energy MLP TR	7.2	14.5	18.8	21.4	32.4	45.9	8.2	5.9	4.9	10.3	47.4	41.5	-30.9	2.4	-7.0
Oil	12.7	33.9	11.5	4.5	15.6	33.7	5.8	10.4	1.6	7.5	20.2	56.4	-23.0	29.3	-20.2
Gold	-1.5	0.7	0.7	2.1	8.3	1.4	10.8	6.0	6.4	9.9	12.5	-2.6	20.6	14.3	3.9
S&P NA Natural Resources	3.9	12.6	3.4	13.5	29.6	35.3	8.9	7.6	6.5	9.6	51.0	41.2	-21.5	13.1	-16.2
Euro	1.3	1.1	-2.2	-1.2	0.5	-1.5	-0.5	0.0	0.4	1.1	5.7	-6.2	5.6	-5.6	1.1
Japanese Yen	1.3	0.9	-12.9	-11.3	-9.1	-9.2	-4.1	-4.5	-1.4	0.1	-1.7	-9.5	2.0	-2.9	9.1
US Dollar	3.8	4.2	-1.4	-8.5	5.1	1.9	1.3	0.9	2.9	1.6	12.6	0.9	-3.1	-3.9	6.2
Swiss Franc	0.2	1.9	-0.3	-1.6	6.1	2.1	2.7	1.7	2.7	3.4	10.9	-2.1	6.2	-2.1	5.0
Canadian Dollar	3.9	1.9	-1.2	-7.1	1.7	1.5	0.4	0.5	0.1	1.5	5.0	1.8	-1.4	1.3	-2.6
Australian Dollar	3.6	0.6	-6.1	-9.4	-0.7	-1.6	-0.9	-1.5	-0.9	1.3	4.6	-5.0	5.9	-4.0	-4.0
New Zealand Dollar	4.3	1.5	-6.9	-4.8	-2.2	-1.6	-0.7	-1.9	-0.5	--	3.8	-4.5	3.1	-2.9	0.2
Chinese Yuan	3.6	3.6	-6.2	-11.2	-1.1	-0.4	0.1	-0.4	1.1	2.2	3.2	3.6	3.2	-5.2	0.7
Taiwan Dollar	2.4	0.5	-6.2	-10.0	-2.4	-1.7	0.2	0.5	2.0	1.8	1.4	2.5	3.4	-1.4	2.8
Korean Won	1.7	1.7	-7.6	-3.0	-1.5	-2.8	-2.6	-2.0	0.6	0.7	5.9	-7.8	3.2	-7.2	1.9
Indian Rupee	3.5	2.9	-1.8	-10.4	-0.6	-2.0	-1.4	-2.2	0.0	-1.4	1.2	-0.8	-5.3	-6.0	-2.9
Russian Ruble	2.2	-4.5	-26.3	-42.7	-9.2	-5.6	-6.4	-5.2	-7.9	-4.2	15.7	-0.5	-18.6	7.4	-11.9
Brazilian Real	2.7	0.4	4.0	-1.2	9.7	6.1	-3.1	-5.1	-5.1	-1.1	18.8	-5.9	-24.9	-7.4	-9.1
Mexican Peso	0.6	2.8	10.5	5.8	14.3	10.4	2.8	2.5	0.0	-0.7	18.2	-1.7	-8.2	0.3	5.5
BofA ML All Convertibles	1.1	1.5	4.3	-1.7	-2.5	5.1	9.8	10.7	12.0	9.8	-8.5	7.3	41.7	18.4	6.4
60%S&P 500/40% Barc Agg	-0.3	0.7	5.8	3.7	2.8	6.0	7.4	8.2	10.6	8.5	-5.7	17.7	10.6	17.7	3.3

Past performance is no guarantee of future results. Returns in GBP unless stated otherwise

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Mercer

A business of Marsh McLennan

Clwyd Pension Fund

Monitoring Report Quarter to 30 September 2023

Steve Turner

November 2023

Tudalen 526

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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

Contents

Tudalen 527

Overview

1

Tudalen 528

Executive Dashboard

Page 7 — Asset Allocation

Assets are broadly in line with their strategic target weights. Physical Global Equity and Local/Impact are the most underweight (-6.2% and -1.5% respectively). The actual overall exposure to equities to closer to the target position when allowing for synthetic equities.

Cash and Risk Management Framework and Property are the most overweight (4.3% and 1.6% respectively), but within ranges.

Signal

Previous Qtr

Current Qtr

Asset Allocation vs Ranges

Global Equity is outside the range (1.2% below minimum range).

Page 8 — Investment Performance

The Fund returned -2.2% over the quarter against a benchmark of -0.6%. Over the one year, three year and five year periods to 30 September 2023, the Fund returned 1.7%, 4.5% p.a. and 3.9% p.a. against a benchmark of 6.5%, 4.1% p.a. and 4.4% p.a., respectively.

Signal

Previous Qtr

Current Qtr

Performance vs Target

The one year and three year performance is behind the strategic target.

Page 13 — Manager Research

No significant news to report over the quarter.

Signal

Previous Qtr

Current Qtr

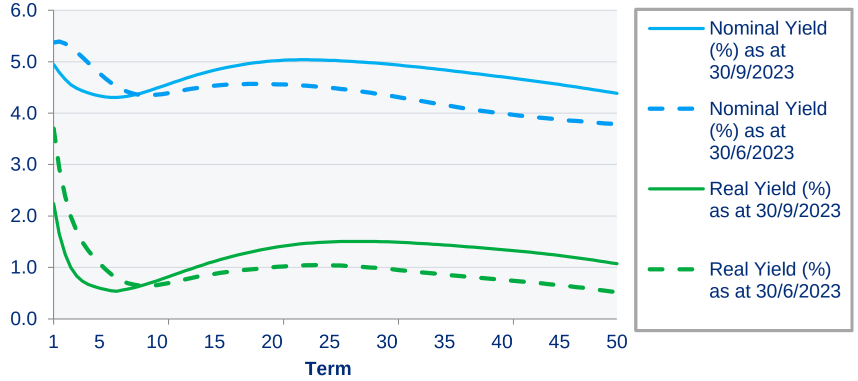
Additional Comments

The Fund reduced its existing Hedge Fund holdings with MAN Group with the proceeds moved to Cash to meet Cashflow needs including drawdowns into private markets.

Tudalen 530

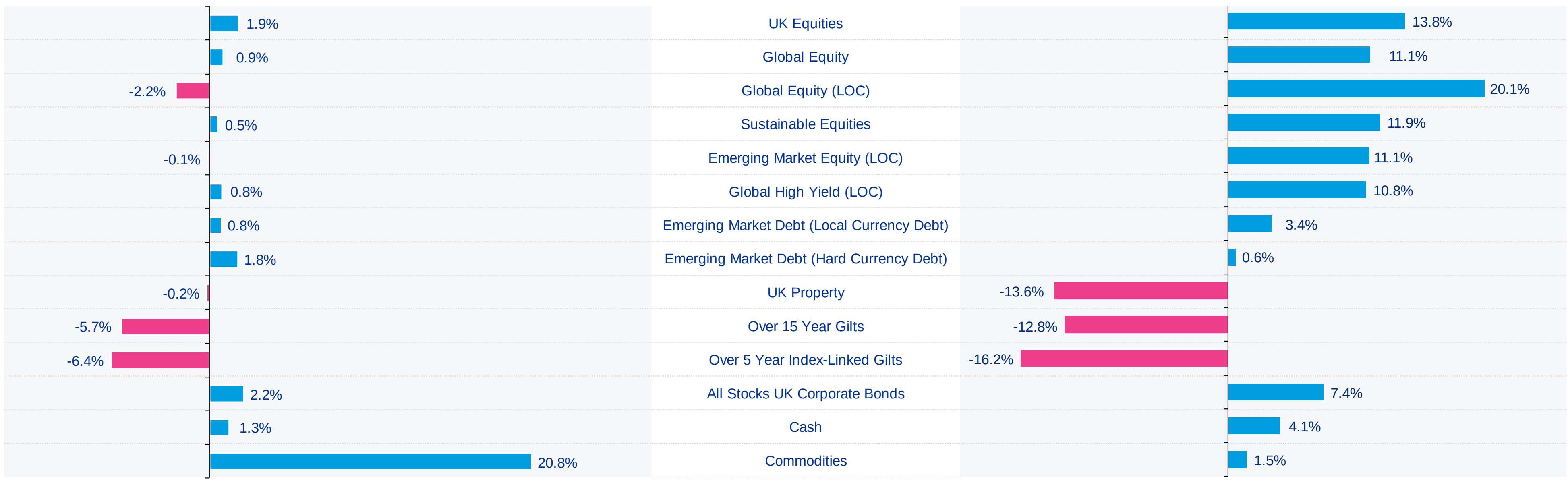
Market Conditions

	Values at (%)		Change (%)		
Yield / Spread	**30/09/2023**	**30/06/2023**	**3M**	**12M**	**3Y**
Over 5Y Index-Linked Gilts Yield	1.23	0.84	0.39	1.39	3.61
Over 15Y Fixed Interest Gilts Yield	4.79	4.36	0.41	1.01	4.05
Over 10 Year Non-Gilts Yield	6.08	5.96	0.11	-0.11	3.96
Over 10 Year Non-Gilts Spread	1.36	1.42	-0.06	-0.70	-0.12
	£1 is worth		**Appreciation (%)**		
Exchange Rates	**30/09/2023**	**30/06/2023**	**3M**	**12M**	**3Y**
US Dollar ($)	1.221	1.271	-4.00	9.34	-1.90
Euro (€)	1.153	1.165	-1.07	1.17	1.50
100 Japanese Yen (¥)	1.821	1.838	-0.88	12.72	10.12



3 months to 30/09/2023

12 months to 30/09/2023



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

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The strategic case for real estate investment trusts (REITs)

Trends in private equity

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Dynamic Asset Allocation – Q4 2023

Economic Outlook

Economic growth has so far proved resilient in 2023 but is set to slow modestly as several positive tailwinds fade. We expect regional divergence with the most overheated economies such as the US decelerating while emerging markets and China fare better on the back of policy support.

Inflation has fallen and should continue to decline as some remaining inflationary components roll over. Labour markets, however, remain tight and should put upward pressure on inflation well into 2024. However, the slower growth we expect should help rebalance labour markets leading to slower wage growth.

Central banks are cautiously moving from increasing interest rates to pausing and going on extended hold with rates now firmly in restrictive territory.

We believe the recent conflict in Israel is unlikely to have a major impact on global markets and does not change our view. Any impact would come via energy markets, which we will be watching closely.

DAA Positioning

At a high level, we have a positive outlook on all main asset classes, with a preference for growth fixed income assets versus cash due to attractive yields. We are modestly positive towards equities due to cooling core inflation and softening labour markets but our conviction is slightly tempered by stretched equity valuations driven by US mega cap stocks. However, we believe that there are regions within equities that present very interesting opportunities. In particular we are more positive on emerging market equities, because we expect emerging markets, in particular China, to perform better due to policy support. A generally weak US dollar should also support emerging market equities.

New look UK Dynamic Asset Allocation will be made available for performance reports in 2024.

You can access the Q4 2023 Global Economics and DAA report via the **MercerInsight® Community** here.

Strategy Monitoring

2

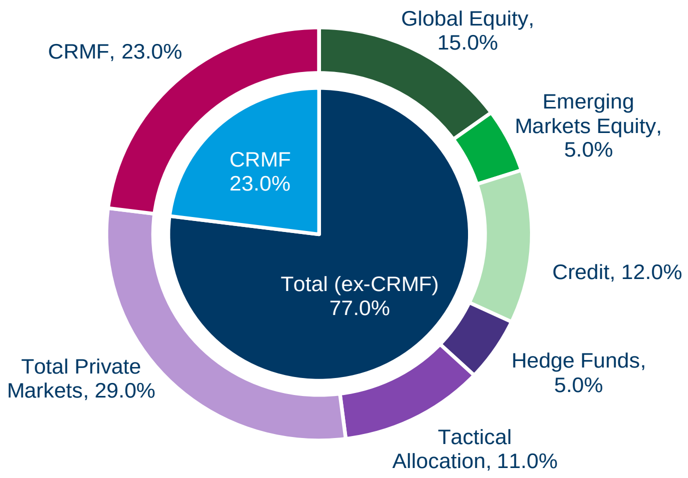
Tudalen 533

Asset Allocation

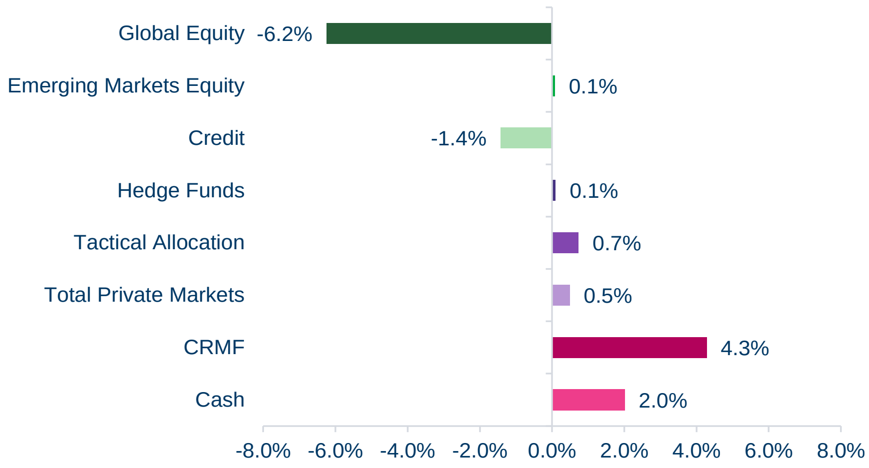
	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Total	**2,286.3**	**-7.3**	**-49.7**	**2,229.4**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)	1,610.7	-41.2	7.0	1,576.5	70.5	70.7	77.0	--
Total CRMF	664.7	--	-56.6	608.1	29.1	27.3	23.0	10.0 - 35.0
Cash	10.9	33.9	0.0	44.8	0.5	2.0	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 September 2023



Deviation from Benchmark Asset Allocation

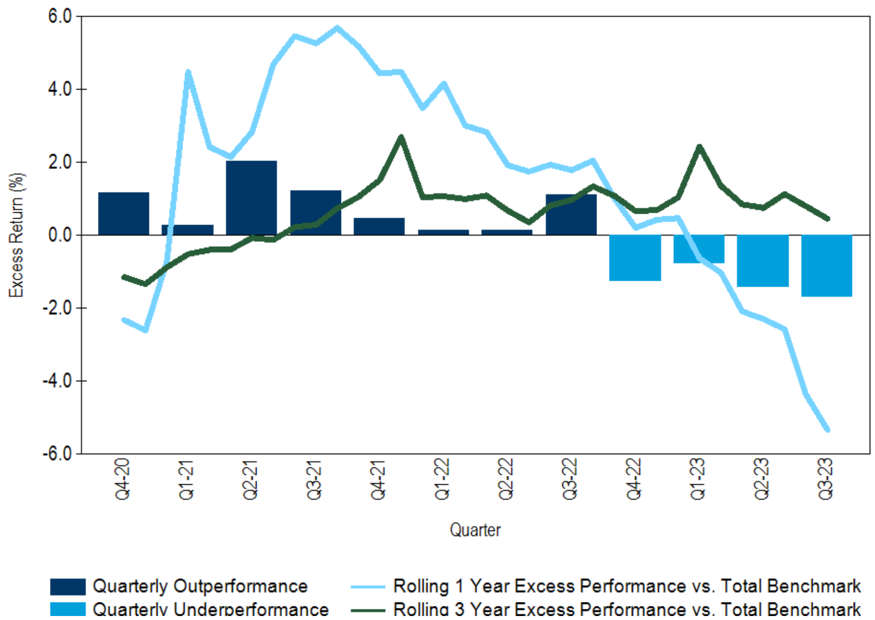


Investment Performance

	2023 Q3 (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Total	**-2.2**	**1.7**	**4.5**	**3.9**
Total Benchmark	-0.6	6.5	4.1	4.4

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.

Relative Performance



Tudalen 535

Investment Manager Summary

3

Tudalen 536

Manager Allocation

	Investment Manager	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Total		**2,286.3**	**-7.3**	**-49.7**	**2,229.4**	**100.0**	**100.0**	**100.0**	**--**
Total (ex-CRMF)		**1,610.7**	**-41.2**	**7.0**	**1,576.5**	**70.5**	**70.7**	**77.0**	**--**
Total Equity		**311.6**	**--**	**-3.3**	**308.3**	**13.6**	**13.8**	**20.0**	**10.0 - 30.0**
Global Equity		**198.7**	**--**	**-3.5**	**195.2**	**8.7**	**8.8**	**15.0**	**10.0 – 20.0**
WPP Sustainable Active Equity	Russell	198.7	--	-3.5	195.2	8.7	8.8	15.0	10.0 – 20.0
Emerging Markets Equity		**112.9**	**--**	**0.2**	**113.1**	**4.9**	**5.1**	**5.0**	**2.5 – 7.5**
WPP Emerging Markets Equity	Russell	112.9	--	0.2	113.1	4.9	5.1	5.0	2.5 – 7.5
Total Credit		**235.8**	**--**	**0.0**	**235.8**	**10.3**	**10.6**	**12.0**	**10.0 - 14.0**
WPP Multi-Asset Credit	Russell	235.8	--	0.0	235.8	10.3	10.6	12.0	10.0 – 14.0
Total Hedge Funds		**160.8**	**-48.0**	**0.8**	**113.6**	**7.0**	**5.1**	**5.0**	**2.5 – 7.5**
Hedge Funds	Man	160.8	-48.0	0.8	113.6	7.0	5.1	5.0	2.5 – 7.5
Total Tactical Allocation		**262.3**	**--**	**-0.8**	**261.5**	**11.5**	**11.7**	**11.0**	**9.0 - 13.0**
Best Ideas	Various	262.3	--	-0.8	261.5	11.5	11.7	11.0	9.0 - 13.0
Total Private Markets		**640.1**	**6.8**	**10.3**	**657.2**	**28.0**	**29.5**	**29.0**	**15.0 - 37.0**
Private Markets		**636.5**	**4.2**	**10.3**	**651.1**	**27.8**	**29.2**	**29.0**	**--**
WPP Private Markets		**3.6**	**2.6**	**0.0**	**6.2**	**0.2**	**0.3**		**--**
Property	Various	134.5	-0.2	-9.4	124.8	5.9	5.6	4.0	2.0 - 6.0
Private Equity	Various	200.5	-4.8	6.3	202.0	8.8	9.1	8.0	6.0 - 10.0
Local / Impact	Various	96.1	2.7	2.2	101.1	4.2	4.5	6.0	4.0 – 8.0
Timber/ Agriculture	Various	11.7	-0.8	0.3	11.3	0.5	0.5	--	--
Total Private Debt		**58.3**	**0.1**	**6.1**	**64.6**	**2.6**	**2.9**	**3.0**	**1.0 – 5.0**
Private Debt	Various	58.3	-2.5	6.1	62.0	2.6	2.8	3.0	1.0 – 5.0
WPP Private Debt	Various	--	2.6	0.0	2.6	--	0.1		
Total Infrastructure		**139.0**	**9.8**	**4.7**	**153.6**	**6.1**	**6.9**	**8.0**	**6.0 – 10.0**

	Investment Manager	30/06/2023 Market Value (£M)	Net Cash Flow (£M)	Investment Growth/ Decline (£M)	30/09/2023 Market Value (£M)	30/06/2023 Allocation (%)	30/09/2023 Allocation (%)	30/09/2023 B'mark (%)	30/09/2023 B'mark Range (%)
Infrastructure	Various	135.4	9.8	4.7	150.0	5.9	6.7	8.0	6.0 - 10.0
WPP Infrastructure	Various	3.6	--	0.0	3.6	0.2	0.2		
Total CRMF		**664.7**	**--**	**-56.6**	**608.1**	**29.1**	**27.3**	**23.0**	**10.0 - 35.0**
Cash and Risk Management Framework (CRMF)	Insight	664.7	--	-56.6	608.1	29.1	27.3	23.0	10.0 - 35.0
Cash		**10.9**	**33.9**	**0.0**	**44.8**	**0.5**	**2.0**	**0.0**	**0.0 - 5.0**
Cash		10.9	33.9	0.0	44.8	0.5	2.0	0.0	0.0 - 5.0

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
Net cashflows exclude the reinvestment of income.
Hedged Funds (Legacy) valuation includes the Liongate portfolios.

Manager Performance

	Investment Manager	2023 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%p.a.)	B'mark (%p.a.)	5 Yrs (%p.a.)	B'mark (%p.a.)
Total		**-2.2**	-0.6	**1.7**	6.5	**4.5**	4.1	**3.9**	4.4
Total Equity		**-1.1**	1.2	**4.7**	8.3	**4.4**	6.5	**4.5**	6.5
WPP Sustainable Active Equity	Russell	-1.8	1.1	--	--	--	--	--	--
WPP Emerging Markets Equity	Russell	0.2	1.5	4.9	3.7	--	--	--	--
Total Credit		**0.0**	2.3	**8.4**	8.2	**-0.4**	5.6	**0.3**	4.1
WPP Multi-Asset Credit	Russell	0.0	2.3	8.4	8.2	-0.4	5.6	--	--
Total Hedge Funds		**0.8**	2.1	**0.6**	7.7	**4.6**	5.1	**2.0**	4.8
Hedge Funds	Man	0.8	2.1	0.6	7.7	4.6	5.1	2.0	4.8
Total Tactical Allocation		**-0.3**	1.5	**2.3**	6.0	**8.9**	7.0	**5.9**	5.9
Best Ideas	Various	-0.3	1.5	2.3	6.0	8.9	7.0	5.9	5.9
Total Private Markets		**1.6**	2.1	**-2.6**	5.4	**12.9**	6.3	**9.4**	5.6
Private Markets		**1.6**	2.1	**-2.6**	5.4	**12.9**	6.3	**9.4**	5.6
WPP Private Markets		**0.0**	0.0	**--**	--	**--**	--	**--**	--
Property	Various	-7.0	-0.2	-19.8	-13.6	-0.6	3.6	1.0	2.2
Private Equity	Various	3.2	2.5	2.9	9.2	18.6	6.7	13.8	6.3
Local / Impact	Various	2.3	2.5	3.1	9.2	--	--	--	--
Timber/ Agriculture	Various	2.9	2.5	5.1	9.2	10.9	6.7	6.0	6.3
Total Private Debt		**10.3**	1.8	5.6	7.5	9.3	7.5	7.2	7.5
Private Debt	Various	10.6	1.8	5.6	7.5	9.3	7.5	7.2	7.5
WPP Private Debt	Various	0.0	0.0	--	--	--	--	--	--
Total Infrastructure		**3.3**	2.5	0.2	9.2	12.8	6.7	9.1	6.3
Infrastructure	Various	3.3	2.5	0.2	9.2	12.8	6.7	9.1	6.3
WPP Infrastructure	Various	0.0	0.0	--	--	--	--	--	--
Total CRMF		**-8.5**	-8.5	**-1.2**	-1.2	**-6.0**	-6.0	**-2.2**	-2.2
Cash and Risk Management Framework (CRMF)	Insight	-8.5	-8.5	-1.2	-1.2	-6.0	-6.0	-2.2	-2.2

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 and Sustainable Active Equity portfolios benchmark performance includes the outperformance target.
Total hedge funds performance includes performance of the legacy Liongate portfolio.
Hedge Funds, Best Ideas and Private Markets portfolios performance has been estimated by Mercer.
Private Debt benchmark was revised to Absolute Return 7.5% p.a. in Q4 2020 and for all preceding periods.

Appendix

4

Tudalen 541

Appendix A

Benchmarks

Name	Investment Manager	30/06/23 B'mark (%)	30/09/2023 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 Sustainable Active Equity	Russell	15.0	15.0	MSCI AC World (NDR) Index +2.0% p.a.
WPP Emerging Markets Equity	Russell	5.0	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		**5.0**	**5.0**	**SONIA +3.5% p.a.**
Hedge Funds	Man	5.0	5.0	SONIA +3.5% p.a.
Total Tactical Allocation		**11.0**	**11.0**	**UK Consumer Price Index +2.5% p.a.[1]**
Best Ideas	Various	11.0	11.0	UK Consumer Price Index +2.5% p.a.[1]
Total Private Markets		**29.0**	**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	6.0	6.0	SONIA +5.0% p.a.
Private Debt	Various	3.0	3.0	Absolute Return +7.5% p.a.
WPP Private Debt	Various	--		Absolute Return +7.5% p.a.
Timber/ Agriculture	Various	--	--	SONIA +5.0% p.a.
Infrastructure	Various	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 Debt 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.
[1] UK Consumer Price Index +2.5% p.a. based on the 20 year breakeven inflation spot rate.

welcome to brighter

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Risk management framework

Monthly Monitoring Report: 30 September 2023

Clwyd Pension Fund

November 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

Overall funding position at 30 September 2023

- Broadly in line with expected funding level
- Funding level above 100%

The funding position is 105% which is in line with the expected funding level from the 2022 valuation. 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 30 June 2023

- Insight in compliance with investment guidelines
- Underperformed the benchmark over Q2 2023
- Hedge ratios broadly in line with new target levels

There were six interest rate triggers breached over Q2 2023. Interest rate triggers were hit in July 2023 along with further activity in August. Trigger framework currently suspended.

Synthetic equity mandate at 30 September 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 September 2023

- Currency hedging overlay implemented in the QIAIF in August 2019
- As at 30 September, the market value of the currency hedge on physical equities since inception on 22 August 2019 was -£16.5m

No action required.

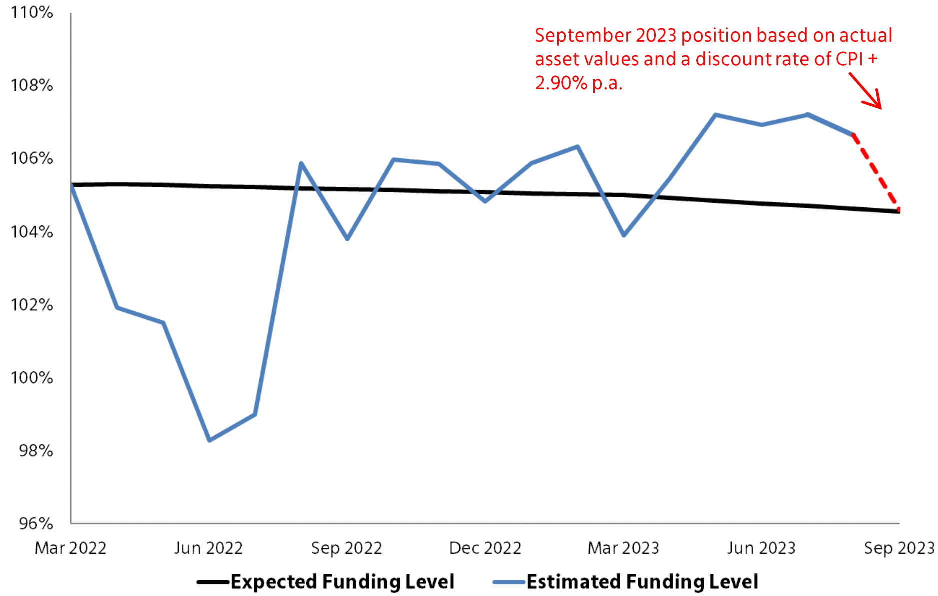
Collateral and counterparty position at 30 June 2023

- The Insight QIAIF can sustain over a 3.0% rise in interest rates or over 3.0% fall in inflation without eliminating all headroom.

The Fund has sufficient collateral to withstand the stresses as at 30 June 2023. No action required.

Funding level monitoring to 30 September 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 September 2023 was around 105%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2022 to 31 August 2023. The **red dashed line** shows the progression of the estimated funding level over September 2023. At 30 September 2023, we estimate the funding level and surplus to be:

105% / £98m

This update shows that the Fund's position at 30 September 2023 was the same as the expected funding level from the 2022 valuation. New employer contributions from the valuation commenced from 1 April 2023 and over time (all else being unchanged) the funding level is expected to fall due to employers running off the surplus.

Uncertainty continues to be prevalent in the investment and fiscal environments due to the Global and UK economic outlook – 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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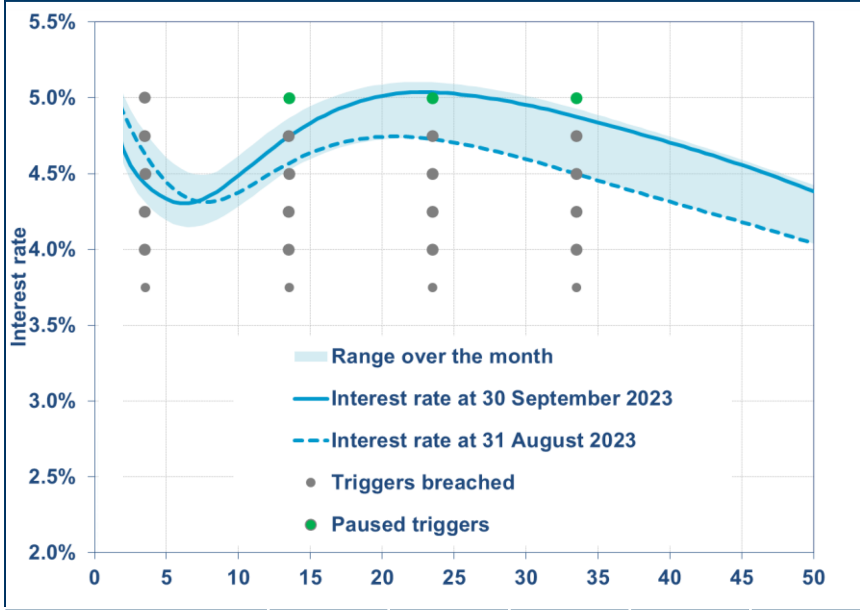
Update on market conditions and triggers

Change in interest rates



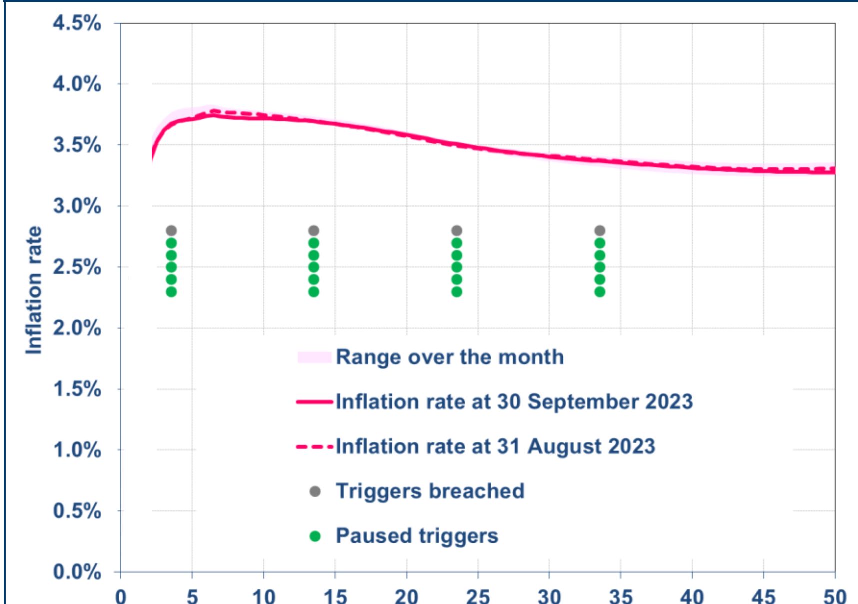
Date	Band 1	Band 2	Band 3	Band 4	Actual
30 June 2023	61.5%	58.9%	58.0%	60.0%	59.3%

Comments

Relative to the position at the end of August, the yield curve twisted, falling at short maturities and rising at medium and long maturities.

Following the agreement at the 31 August 2023 Investment Day, triggers were paused pending completion of a wider investment strategy review.

Change in inflation rates



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 June 2023	32.1%	24.8%	41.9%	68.4%	40.2%

Comments

Inflation expectations were broadly stable across the curve.

In October 2023, the process of implementing the updated liability benchmark with Insight and refreshing the hedging basis following the 2022 actuarial valuation was successfully actioned. This will serve to suspend the trigger framework pending a review of the overall investment strategy, which will be reflected in future reports.

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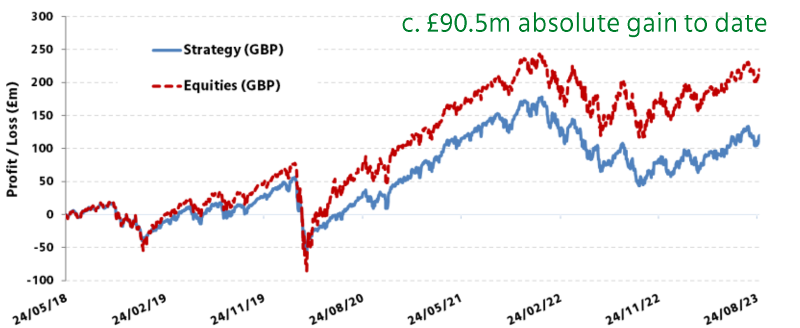
Hedge ratios calculated with reference to 2019 valuation cash flow analysis and relying on a discount rate of gilts + 3.9% p.a.. This will be updated in future reports.

Update on equity protection mandate

Strategy versus equity index

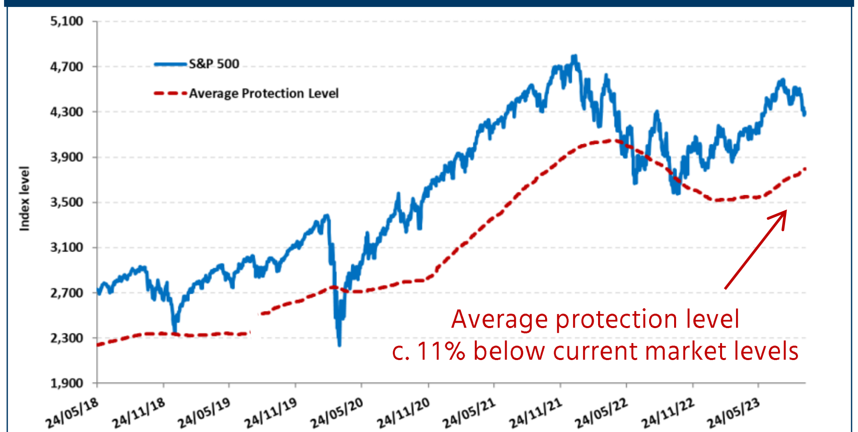


GBP returns	Equity return	Hedging return	Financing return	Costs	Overall return	Relative return
MTD	(6.2%)	0.4%	0.0%	(0.0%)	(5.8%)	0.4%
YTD	10.6%	(3.7%)	0.3%	(0.3%)	7.0%	(3.6%)
SI (per annum)	7.8%	(3.1%)	(1.2%)	(0.5%)	4.3%	(3.6%)

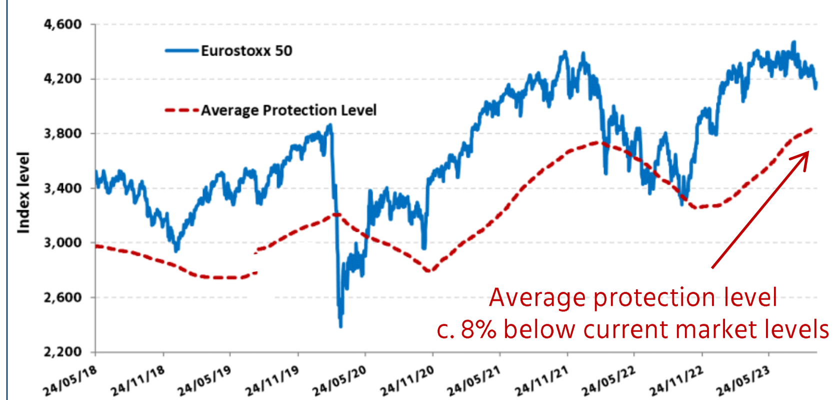
Comments

- 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 fell over September 2023, leading to a negative return on the equity protection strategy. This was offset by a positive return on the hedging leg and marginal positive gains on the financing leg.
- The strategy outperformed passive equities over the month. As at 30 September 2023, there was a gain of c. £90.5m on the strategy since inception.
- From inception on 8 March 2019 to 30 September 2023, the currency hedge of the market value of the synthetic equity mandate has resulted in a c. £20.6m loss relative to an unhedged position, as sterling has weakened versus the dollar since inception.

US equity exposure

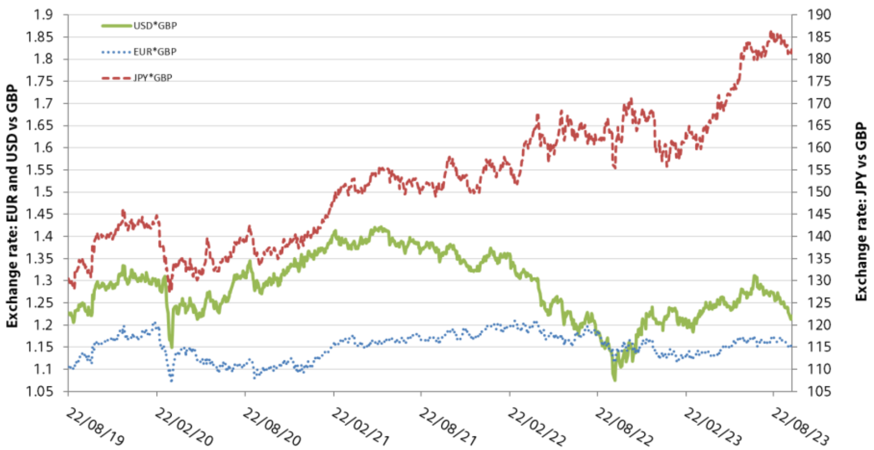


European equity exposure (note: different scale)



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 September, the market value of the currency hedge since inception on 22 August 2019 was -£16.5m.
- The market value of the currency hedge fell over September as sterling depreciated against all three major currencies.

Tudalen 549

	Currency basket weight	FX performance (since inception*)	FX change in performance since 31 August 2023
EUR	11%	£1.6m	(£0.2m)
JPY	9%	£4.9m	(£0.1m)
USD	80%	(£22.9m)	(£3.9m)
Total	**100%**	**(£16.5m)**	**(£4.2m)**

*Insight transacted on the currency hedge on 22 August 2019.

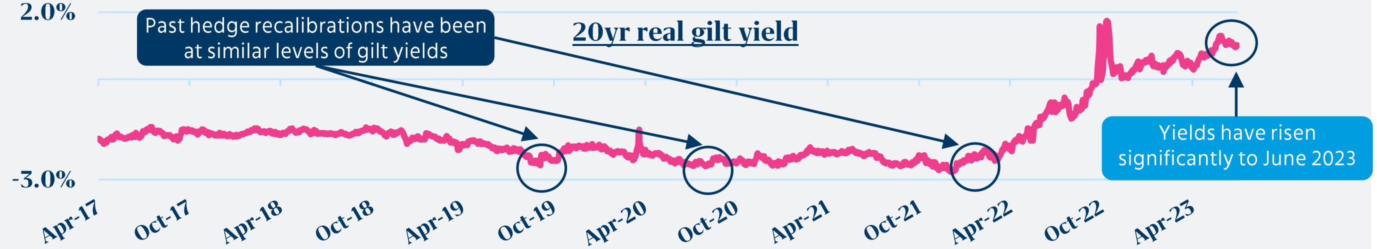
Figures may not sum due to rounding.

Clwyd Pension Fund: Hedging basis update

A change in the approach to reporting interest rate and inflation hedge ratios

<table>
<tr><th>Question</th><th>Comments</th></tr>
<tr><td>What is the issue?</td><td>

The Fund has had the Cash and Risk Management Framework ("CRMF") in place for a number of years, with an interest rate and inflation hedging programme implemented by Insight.
Following each valuation the hedging in the CRMF has been updated for new member cashflows
Insight report hedging levels relative to a gilts basis, whereas the Fund's Actuary uses a CPI-linked discount rate
Following large changes in market conditions, the gilts basis used by Insight has diverged from the Actuary's CPI+ basis, and so the hedge ratios Insight have reported are no longer a true reflection of the actual level of hedging



</td></tr>
<tr><td>What's changing?</td><td>

The Fund is moving to reporting interest rate and inflation hedge ratios as a proportion of the Fund's total asset value
This is a more representative and meaningful measure of the interest rate and inflation exposure within the Fund's portfolio
Previously the Fund has quoted hedge ratios from Insight's quarterly reports, where the figure is based on a proxy liability value
Due to the way that Insight report the hedge ratios and changes in market conditions, these hedge ratios on Insight's proxy basis have diverged materially from the Fund's hedge ratios as a proportion of its asset value
Making this change will avoid the hedge ratios reported to Committee deviating again in future following large changes in market conditions

</td></tr>
</table>

This represents a change to the Fund's reporting only and has no bearing on the strategic direction of the Fund

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Tudalen 551

Clwyd Pension Fund: Hedging basis update
A change in the approach to reporting interest rate and inflation hedge ratios

What is the change?

30 June 2023	Insight reported hedge ratios (Insight basis)	Actual hedge ratio (proportion of Fund's assets)	Comment
Asset hedging exposure	£1,138m	£1,138m	No proposed change in actual exposure
Liability hedging exposure	£1,897m	£4,065m	The Fund's total liabilities have increased due to using the Actuary's discount rate
Interest rate hedge ratio	60%	28%	The hedge ratio has decreased because the liability hedging exposure (denominator) has increased

Question	Comments
What does this mean for the Fund?	▪ The change is for reporting purposes primarily, ensuring the hedge ratios are expressed in a more meaningful way given the changes in market conditions ▪ There is **no change to the amount of asset hedging exposure**, meaning **the risk levels within the Fund are not impacted** ▪ There is **no impact on the Fund's funding position** ▪ This will be updated for the Q4 reporting going forward
Will the Fund look to increase hedging?	▪ The Fund will **not be looking to increase hedging as a result of these changes**, which are purely cosmetic in nature ▪ The Fund will give further consideration to increasing the target hedge levels as part of the wider strategy review ▪ Hedging has become more collateral intensive following the gilt market crisis in late 2022 ▪ **Any increase in hedging will be considered holistically as part of the wider strategy**

These changes are for reporting purposes and result in no change to the actual asset or risk exposures

Glossary

- **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- **Collateral** – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- **Counterparty** – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- **Deficit** - The extent to which the value of the Fund's liabilities exceeds the value of the Fund's assets.
- **Dynamic protection strategy** – Strategy to provide downside protection from falls in equity markets where the protection levels vary depending on evolution of the market.
- **Equity option** – A financial contract in which the Fund can define the return it receives for movements in equity values.
- **Flightpath** - A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when "triggers" are hit, whilst still expecting to achieve the overall funding target.
- **Funding level** - The difference between the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.
- **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- **Hedging** - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- **Hedge ratio** – The level of hedging in place in the range from 0% to 100%.
- **Insight QIAIF (Insight Qualifying Investor Alternative Investment Fund)** – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

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