



CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

GWŶS I GYFARFOD O'R CYNGOR

C.Hanagan
Cyfarwyddwr Gwasanaeth y Gwasanaethau Democrataidd a Chyfathrebu
Cyngor Bwrdeistref Sirol Rhondda Cynon Taf
Y Pafiliynau
Parc Hen Lofa'r Cambrian
Cwm Clydach CF40 2XX

Dolen gyswllt: Sarah Daniel - Uwch Swyddog Gwasanaethau Democrataidd (07385 086169)

DYMA WŶS I CHI i gyfarfod o **PWYLLGOR CRONFA BENSIYNAU** yn cael ei gynnal yn on **DYDD MAWRTH, 13EG GORFFENAF, 2021** am **2.00 PM**.

AGENDA

Tudalennau

1. DATGAN BUDDIANT

Derbyn datganiadau o fuddiannau personol gan Gynghorwyr, yn unol â gofynion Cod Ymddygiad y Cyngor.

Nodwch:

1. Mae gofyn i Aelodau ddatgan rhif a phwnc yr agendwm mae eu buddiant yn ymwneud ag ef a mynegi natur y buddiant personol hwnnw; a
2. Lle bo Aelodau'n ymneilltuo o'r cyfarfod o ganlyniad i ddatgelu buddiant sy'n rhagfarnu, rhaid iddyn nhw roi gwybod i'r Cadeirydd pan fyddan nhw'n gadael.

2. COFNODION

Derbyn cofnodion o gyfarfod blaenorol Pwyllgor y Gronfa Bensiwn a gynhaliwyd ar
22.03.2021

3 - 8

3. RHAGLEN WAITH

9 - 12

4. ADRODDIAD AR SWYDDOGAETHAU DIRPRWYEDIG 13 - 42

5. COFRESTR RISGIAU'R GRONFA BENSIWN - TROSOLWG O'R GOFRESTR RISGIAU 43 - 52

6. PARTNERIAETH PENSIYNAU CYMRU - DIWEDDARIAD (GAN GYNNWYS CYNLLUN BUSNES PARTNERIAETH PENSIYNAU CYMRU 2021-2024) 53 - 72

7. **MATERION BRYS**

Trafod unrhyw faterion brys y mae'r Cadeirydd yn eu gweld yn briodol

Cyfarwyddwr Gwasanaeth y Gwasanaethau Democrataidd a Chyfathrebu

Cylchreliad:-

Cadeirydd ac Is-gadeirydd:
(Y Cynghorydd M Norris a Y Cynghorydd M Griffiths)

Y Cynghorwyr Bwrdeistref Sirol: Y Cynghorydd G Caple, Y Cynghorydd E Webster
and Y Cynghorydd M Powell



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the virtual meeting of the Pension Fund Committee held on Monday, 22 March 2021
at 2.00 pm.

County Borough Councillors - Pension Fund Committee Members in attendance:-

Councillor M Norris (Chair)

Councillor M Griffiths Councillor G Caple
Councillor E Webster Councillor M Powell

Officers in attendance:-

Mr B Davies, Director of Finance & Digital Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Mr P Griffiths, Service Director – Finance & Improvement Services
Ms Y Keitch – Senior Accountant Pensions and Treasury Management
Mr K Bray – Forum Officer LAPFF
Ms T Younger – Head of Engagement PIRC Ltd
Mr A Quinn - Associate Director, UK Institutional, Russell Investments
Mr R Thornton - Head of Relationship Management, Link Fund Solutions
Mr D Cullinen – RCT Pension Fund Advisor.

RCT Pension Board Members in attendance:-

Professor H Coombs (Chair of the Board)
Mr R Whiles
Ms A Pring
(Apology noted from Board Member Mr D Francis)

26 Declaration of Interest

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

27 Minutes

It was **RESOLVED** to approve the minutes of the 14 December 2020 as an accurate reflection of the meeting.

28 Learning and Development

Members of the Committee received Mr K Bray and Ms T Younger who, through the aid of a powerpoint presentation, provided Members with details of the role of the LAPFF incorporating 'responsible investing, protecting shareholder value.' Members were provided with an overview of the role and structure of LAPFF, areas of concern with specific reference to environmental, social and governance concerns and the priorities going forward.

Following the presentation Members questioned the LAPFF representatives, querying concerns raised in respect of investing in infrastructure for the creation of jobs, following the covid pandemic. Members were advised that the pension fund would invest in line with advice and the investment case for global as opposed to local investment. The LAPFF representatives commented that this would need to be taken forward within the context of the fiduciary basis of the Fund.

Members welcomed the ethical investments and the climate change aspects, with one Member querying the work taken forward with hydrogen cells and renewable resources and also spoke on the electrification of vehicles. The LAPFF representative spoke of the need to look at sectors rather than specific companies in respect of renewable energy, the engagement with National Grid in respect of hydrogen and the need to survey Members to gauge the areas of investment.

Members spoke of the need to include these areas within the workplan and the importance of collaborative approaches.

LAPFF representatives were queried on the pool relationship between LAPFF and Robeco. Members were advised that open communication was being undertaken with Robeco.

The Chair concluded the Members questions by referencing the concerns with the reporting of carbon emissions by companies and the need for a consistent approach across the board. The representatives referenced the work of the TCFD taskforce and the future intention for such reporting to be regulated.

Upon conclusion of the item the Chair thanked the representatives for their informative presentation to the meeting.

It was **RESOLVED** to note the content of the presentation.

29 To Consider Passing the Following Resolution:

RESOLVED: That the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act (as amended) for the following item of business on the grounds that it involves the likely disclosure of the exempt information as defined in paragraph 14 of Part 4 of the Schedule 12A of the Act.

30 Link Solutions and Russell Investments

Members received Mr A Quinn and Mr R Thornton who provided a PowerPoint presentation in respect of Link Solutions and Russell Investments on the performance of the Fund's investments in the WPP.

Members were provided with information on the WPP sub-fund market values as at 31st December 2020, highlighting the three sub funds that the RCT Pension Fund is currently invested in.

Members were informed of the performance of the Global Growth Fund, the Global Opportunities Fund, and the UK Sterling Credit Fund for the current quarter, one-year and since inception. The Director of Finance and Digital Services requested that the PowerPoint presentation be amended to show the

correct excess returns over those periods for the Global Growth Equity Fund (as at 28th Feb 21).

Members **RESOLVED** to note the contents of the presentation.

31 **Asset Liability Review**

Members received Mr D Cullinen, RCT Pension Fund independent advisor, who provided Members with details of the outcome of the asset liability review of the Pension Fund.

Mr D Cullinen informed members of the Fund's current performance over the one, three and five year periods. Members were updated on the Fund's current investment strategy and an oversight into the asset liability review considerations and asset classes considered.

Members were advised that the Fund's current investment strategy was efficient but there was potential to achieve incremental improvements from a risk / return perspective.

The proposal is a three-step approach to reduce the current allocation and weighting to equities to be offset by increasing the weightings of government bonds, corporate bonds and infrastructure investments.

Following discussion it was **RESOLVED**:

1. To note the contents of the asset liability review update; and
2. To approve the proposed investment strategy.

32 **Annual Review of Fund Governance and Strategy Documents**

The Service Director – Pensions, Procurement and Transactional Services provided Members with details of the Fund Governance and Strategy documents which fall within the remit of the Committee as detailed in the terms of reference. Members were referred to section 4.3 of the report which identified the documents and the proposed reporting arrangements to the Committee.

Members welcomed the news that the Exit Cap change no longer applied and questioned whether any employees had been affected prior to this amendment. Officers confirmed that no employee within the Fund had been impacted.

Reference was made to the funding objective and on the need to ensure that an integral part of the overall objectives was to comply with high ESG standards, and officers were requested to ensure that this is reflected appropriately and consistently through the documents.

The importance of training of Members was discussed and Officers confirmed the training requirements needed by all Members to assist in their role on the Committee.

Following discussion it was **RESOLVED** to approve the fund governance and strategy documents and authorised officers to update accordingly.

33 Delegated Functions Report

The Director of Finance and Digital Services and the Service Director – Pensions, Procurement and Transactional Services provided Members with the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement. Members were advised that during the quarter ended 31st December 2020, the overall value of the Fund increased from £4,040 million to £4,417 million.

Officers further advised members that the rolling 3-year performance of the Fund was 11.0% positive as compared to a benchmark of 7.1%. For the last quarter (i.e. quarter 4), Baillie Gifford, the traditional equity portfolio, Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio and the UK Credit Fund had outperformed their benchmarks, and CBRE property portfolio underperformed their benchmark. The BlackRock passive equity portfolio performed in line with benchmark. Officers advised that Baillie Gifford traditional equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 17.7% against a benchmark of 12.8%.

As previously highlighted by Members, the position in respect of HM Treasury 'Exit Cap' payment regulations that came into force on the 4th November 2020 was confirmed. It was advised that on the 12th February 2021, the HM Treasury determined that the Restriction of Public Sector Exits Payments Regulations 2020 should be withdrawn due to the potential for unintended consequences.

The Committee were advised of the recent meeting of the Fund's Communications Forum and the discussions relating to the anticipated resource challenges on all parties to address the McCloud remedies.

Data quality and compliance remains a key priority for the Pension Fund and it was added that further to the previous update to Committee, the Fund had been working closely with the Employers yet to implement the I-Connect monthly data transfers. Progress has been made around some of the technical issues, with expectations to finalise in the first quarter of 2021/22. Members of the Committee requested that a reminder from the Committee should be circulated.

Members were also advised that the Member Self-Serve (MSS) continues to be promoted and also provided an update in respect of the work of the Pension Board confirming that there were no items noted for referral back to Committee.

The item was concluded with reference to the LAPFF quarterly engagement report for the period October to December 2020 which was appended to the report.

The Chair thanked all staff involved with the Pension Fund for their continued work and support with particular reference to the work involved in the recent internal audit undertaken and it was suggested that further detail be brought forward to a future meeting in respect of the work to address the 2 recommendations that had resulted from the audit.

One Member queried how the Fund could encourage members to utilise the self-service system and the Committee discussed that continued communication from trade unions (who are very supportive in this regard) could help encourage and promote the message regarding use of the system and it was agreed that further such communications might be helpful.

Following discussion it was **RESOLVED** to:

1. Note the issues addressed within the report; and
2. Bring forward detail of the Internal Audit report, resulting recommendations and response to the recommendations at the next meeting of the Committee.

34 Risk Register Review

The Service Director - Finance and Improvement Services presented the report to members and referred to Appendix 1 of the report which outlined in detail the Risk Register. Members were advised that the Risk Register is reviewed in detail and operationally by the Pension Fund Working Group, where recommended updates are made to reflect changes in risks. This is then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge and agreement.

Following a detailed account of the Risk Register the Committee **RESOLVED** to note the arrangements in place for the management of risk within the Fund.

35 All Wales Pooling - Progress Update

The Senior Accountant for Pensions and Treasury Management provided Members with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

Members were advised that the last meeting of the JGC was held on the 10th December 2020 and concentrated on work surrounding:

- WPP Sub funds – All five Fixed Income sub funds have now been launched. Work continues with the next tranches of sub funds.
- WPP Voting Policy
- WPP Training Policy
- The tender evaluation process for the legal advisor contract was completed

Other key areas:

- A Fixed Income press release was issued
- The WPP 2019/20 Annual Report has been published
- Training – Training sessions are continuing to be arranged in line with the 2020/2021 training plan. The training sessions have been held virtually and have been extended to include Pension Committee and Board members, as well as JGC members and officers.
- The Website continues to be updated with approved policies, press releases and details of sub fund launches
- Robeco, the WPP voting and engagement provider, is now actively voting WPP shares using its standard voting template.

The Senior Accountant for Pensions and Treasury Management referenced the forthcoming meeting of the JGC, a link to which had already been circulated to members.

A member of the Committee queried the private market funds and the Senior

Accountant for Pensions and Treasury Management referenced the infrastructure, property, private market debt and impact sub- funds.

Members **RESOLVED** to note the content of the report.

This meeting closed at 4.40 pm

**CLLR M. NORRIS
CHAIR.**

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

PENSION FUND COMMITTEE

13th JULY 2021

**REPORT OF: THE DIRECTOR OF
FINANCE AND DIGITAL SERVICES**

AGENDA ITEM NO. 3
PENSION FUND COMMITTEE – WORK PROGRAMME

**Author – Barrie Davies, Director of Finance and Digital Services (01443)
424026**

1.0 PURPOSE OF REPORT

1.1 To provide the Committee with details of the proposed work programme.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

2.1.1 Note and agree the work programme.

3.0 BACKGROUND

3.1 The agreed terms of reference of the Pension Fund Committee are as set out below.

Terms of Reference

The Pension Fund Committee have the following specific roles and functions with regards to the Rhondda Cynon Taf Pension Fund (the 'Fund'), taking account of advice from the Director of Finance and Digital Services (in their capacity as S151 Officer) and the Fund's professional advisers:-

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;

- ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
 - iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
 - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers;
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers;
 - vi) Stewardship Code – approving the Fund's Stewardship Code to promote best practice in stewardship that is consistent with seeking long – term investment returns;
 - vii) Discretions – determining how the various administering authority discretions are operated for the Fund; and
 - viii) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- Monitoring the implementation of these policies and strategies as outlined above on an ongoing basis.
 - Considering the Fund's financial statements as part of the approval process and to receive the Fund's Annual Report. Receive internal and external audit reports on the same.
 - Receiving ongoing reports from the Director of Finance and Digital Services in relation to their delegated functions.
 - To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.
 - To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.

- To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- Consider any pension compliance matters raised by the Fund's Pension Board.

4.0 FORWARD WORK PROGRAMME

- 4.1 Future meetings of the committee are diarised for the remainder of the municipal year. The proposed work programme for these meetings is set out below.

Meeting Date – July 2021

1. Terms of Reference and Work Programme
2. Delegated Functions Report
3. Risk Register Review
4. Wales Pension Partnership – Progress Update

Meeting Date – October 2021

1. Learning and Development
 - Responsible Investing – to receive a presentation by Baillie Gifford
2. Delegated Functions Report
3. Risk Register Review
4. Wales Pension Partnership – Progress Update

Meeting Date – December 2021

1. Learning and Development
 - Fund Administration – to receive a presentation from the Pensions Manager on key administration issues
2. Delegated Functions Report
3. Risk Register Review
4. Audited Financial Statements and Audit Wales report
5. Wales Pension Partnership – Progress Update

Meeting Date – March 2022 *

1. Review of Governance and Strategy Documents
2. Delegated Functions Report
3. Risk Register Review
4. Wales Pension Partnership – Progress Update and presentation from Link (the operator)
5. LAPFF - Update on Responsible Investment and Engagement Activity

* Note, Members of the RCT Pension Board will be invited to attend and contribute to this meeting.

- 4.2 Clearly there will need to be a degree of flexibility to introduce other items into meetings, which will be by the agreement of the Chair.

5.0 CONCLUSION

- 5.1 This report sets out, for the Committee, the proposed work programme through to March 2022.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

PENSION FUND COMMITTEE
13th JULY 2021

**REPORT OF: THE DIRECTOR OF FINANCE
AND DIGITAL SERVICES**

AGENDA ITEM NO. 4
DELEGATED FUNCTIONS – UPDATE REPORT

Author – Barrie Davies, Director of Finance and Digital Services (01443) 424026

1.0 PURPOSE OF REPORT

- 1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Director of Finance and Digital Services.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- 2.1.1 Note the issues being addressed; and
- 2.1.2 Consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

- 3.1 The Director of Finance and Digital Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day to day operational matters.
- 3.2 The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are: -
- Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator and independent professional advisers.

- Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - Agreeing Fund business plans and monitoring progress against them.
 - Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - Ensuring the Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
 - Ensuring robust risk management arrangements are in place.
 - Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
 - Monitor investment performance.
 - Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund and ensure such contributions are received.
- 3.3 The Investment and Administration Advisory Panel meets on a quarterly basis, the most recent meeting taking place on the 7th June 2021.

4.0 INVESTMENT PERFORMANCE

- 4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent Panel Meeting considered investment performance to the end of March 2021.
- 4.2 During the quarter ended 31st March 2021, the overall value of the Fund increased from £4,417 million to £4,493 million.

- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

	2018			2019				2020				2021	3yr
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Fund	6.6	2.8	-8.1	7.9	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	1.6	12.4
B'mark	4.9	2.4	-6.2	7.0	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	1.1	8.7
Relative	1.6	0.5	-2.0	0.9	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	0.5	3.7

- 4.4 As shown, the rolling 3-year performance of the Fund is 12.4% positive as compared to benchmark of 8.7%. For the last quarter (i.e. quarter 1), Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio, CBRE property and BlackRock Passive Equity all outperformed their benchmarks. Baillie Gifford traditional equity portfolio and the UK Credit portfolio underperformed their benchmarks, with the BlackRock Passive Gilt portfolio returning benchmark performance. Baillie Gifford traditional equity portfolio (global core) outperformed their rolling 3-year benchmark achieving a return of 19.0% against a benchmark of 8.1% and achieved a return of 63.7% over the last year, 34.1% ahead of their benchmark.
- 4.5 The Pension Fund participates in the Pensions and Investment Research Consultants Limited (PIRC) annual Local Authority fund Statistical Universe Review. At the end of March 2021, the Universe comprised of 64 funds with a combined value of £230 billion. A summary of the Fund's performance and its ranking is shown below.

	1 year		3 years		5 years		10 years	
	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
Universe	22.8		7.6		9.5		6.9	
RCT	34.1	3	12.4	1	12.9	3	10.8	5

- 4.6 The March 2021 Panel included a review of fund managers' performance. Presentations were received from Baillie Gifford, the traditional equity manager and one of the Global Growth managers, Veritas, also one of the managers of the Global Growth equity sub fund and Mercer Performance Services. Mercer Performance Services are employed by the Fund to measure the performance of the Fund as a whole and the performance of the fund managers against agreed benchmarks.
- 4.7 It was reported that the added value from active management as opposed to passive management for 2020/21 amounted to £286 million. The cost of the active management including the operator costs of the WPP for 2020/21 was £8 million.
- 4.8 The asset allocation of the Fund by fund manager and mandate as at 31st March 2021 (which includes cash) is shown in the table below.

Baillie Gifford Traditional	Global Equities	27%
Link – Global Opportunities Fund	Global High Alpha Equities	8%
Link – Global Growth Fund	Global High Alpha Equities	33%
Link – UK Credit Fund	UK Credit	12%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	8%
CBRE	UK Property	7%
Internal	Cash	0%

- 4.9 As Members will be aware the March 2021 meeting of the Committee agreed to the revised asset allocation strategy for the Fund and the steps to be taken to move towards the preferred strategy together with the current allocation as show in the table below.

Asset Class	Current Allocation	Step 1	Step 2	Step 3
Total Equities	69%	64%	59%	54%
Infrastructure	0	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	9%	12%	12%	12%
Corporate Bonds (UK)	14%	15%	15%	15%
Cash	1%	2%	2%	2%
Absolute Return (10 years pa)	5.5%	5.3%	5.5%	5.6%
Volatility (10 years pa)	14.2%	13.3%	12.7%	12.3%

- 4.10 With regard to infrastructure, it is proposed that the Fund invests over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years).
- 4.11 Baillie Gifford’s global core mandate has been reduced by £180 million which has been transitioned to UK government bonds, with a further £45 million reduction planned to transfer to UK corporate bonds.
- 4.12 The Pension Fund Draft Statement of Accounts for 2020/21 has been certified with the external audit process to follow. They can be viewed [here](#).

5.0 ADMINISTRATION UPDATE

- 5.1 An Internal Audit review of the Pensions Service was concluded in March 2021, the scope covered two key reassurance aspects:
- The Fund’s compliance against the findings contained on the ‘Pension Regulators Engagement Report’; and

- A review of the appropriateness of our remote working processes introduced last year.

The overall control environment was considered effective, with two minor recommendations made. A copy of the audit report is included as Appendix 1.

- 5.2 As advised at the previous Committee, the Ministry of Housing, Communities & Local Government (MHCLG) published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on 'employer flexibilities'. The Scheme Advisory Board (SAB) also provided more detailed guidance to be considered in conjunction with the statutory guidance. The Fund's proposed application of these new flexibilities has now been reflected in a revised Funding Strategy Statement and Administration Strategy which are currently being consulted upon (closing date for consultation responses being the 22nd July).
- 5.3 HM Treasury (HMT) have recently released a consultation on changes to the cost management mechanism, which closes on 19th August. These changes are proposed to take effect from the 2020 cost management (scheme-wide) valuations, so the 2016 valuation would run as originally intended.
- 5.4 On 13 May 2021, the Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS <https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. It is now anticipated that MHCLG will issue a full response to the consultation and publish draft regulations later this year.
- 5.5 Initial meetings have been held with the Fund Actuary to discuss and plan the requirements for the 2022 Valuation cycle. We understand that publication of Government Actuary's Department report on the 2019 valuations has been delayed until September.
- 5.6 The Fund's Pensioners have been notified of the annual pension increase of 0.5% that has been applied to pensions in payment and deferred pensions.
- 5.7 All Wales Practitioner Group meetings are held to discuss and feedback issues into the National LGPS Advisory Group. Statistics around member deaths are still being collated throughout the pandemic, with the Scheme Advisory Board publishing the combined results at <https://www.lgpsboard.org/index.php/covid-19-mortality-1>. The Fund specific comparison is provided in the table below:

Month	<u>2021</u>	<u>2020</u>	<u>2019</u>
January	83	61	-
February	98	52	-
March	64	60	-
April	50	129	39

May		66	51
June		66	46
July		65	43
August		38	46
September		54	55
October		59	84
November		66	61
December		55	43

- 5.8 Data quality and compliance remains a key priority for the Pension Fund. Further to the previous update, the Fund has been working closely with the applicable employers yet to implement the I-Connect monthly data transfers. Significant progress has been made during the first quarter of 2021/22 with Bridgend CBC going live during June.
- 5.9 Member Self Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at May 2021).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	23927	8931	37.33%	37.80%
Deferred	28116	7611	27.07%	27.99%
Pensioners	17678	4009	22.68%	22.58%
Dependants	2805	136	4.85%	4.69%

- 5.10 Eight 'Key Performance Service Standards' are monitored by the Panel and Pension Board. It was noted that in respect of performance during May 2021, two Performance Service Standard was behind target.
- % of Refunds of contributions processed within 10 days (68% for May against a target of 95%). 28 cases were completed of which 9 exceed the 10 days target.
 - % Transfers out processed within 10 days (50% for May against a target of 95%). 6 Cases were completed of which 3 exceed the 10 days target.
- 5.11 During June, the Service has conducted a number of onsite training sessions to continually develop the expertise within the team. Furthermore, the Service continues to actively support the Council's Apprenticeship and Graduate scheme with recruitment underway during July.
- 5.12 The Service is experiencing performance issues with its appointed In-house Additional Voluntary Contribution (AVC) provider. We understand that the issue

is not unique to this administering body, however, we have taken the opportunity to notify the Pensions Ombudsman of our concerns.

- 5.13 The number of 'Internal Dispute Resolution Procedure' Appeals in progress continues to be extremely low, with no obvious trends or concerns to report.

6.0 PENSION BOARD

- 6.1 The Pension Board last met virtually on 26th April 2021. There were no items noted for referral back to Committee. The next Pension Board is scheduled to take place on the 9th August.
- 6.2 The Board was provided with verbal reassurance around governance arrangements and any lessons learned as a result of the Covid circumstances.
- 6.3 Pension Board Members have continued to support their skills and knowledge requirement, through their attendance at relevant online events.

7.0 OTHER ISSUES

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates.
- 7.2 The Risk Register was considered, and updates noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 Attached at Appendix 2 is the latest LAPFF quarterly engagement report for the period January to March 2021

8.0 CONCLUSION

- 8.1 This report sets out, for the Committee, the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Director of Finance and Digital Services.

tudalen wag

Rhondda Cynon Taf
County Borough Council

Internal Audit Final Report

PENSIONS

MANAGEMENT IN CONFIDENCE

Date of Audit:	January - March 2021
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1. INTRODUCTION

- 1.1 The responsibility for the RCT Pension Fund lies with the Director of Finance and Digital Services (Section 151 Officer). It is administered within the Pensions, Procurement & Transactional Services area and is delivered operationally by the Pensions Service Manager.
- 1.2 Rhondda Cynon Taf County Borough Council is the administering authority for the RCT Pension Fund. The Fund consists of over 50+ Employers ranging from the 3 unitary authorities of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend, as well as other bodies including colleges and employers that work closely with local government e.g. the Fire Service, Police and the University of South Wales.
- 1.3 The Service is responsible for the interpretation of all pensions' legislation, the creation and maintenance of records, calculation and payment of benefits and the provision of information to employers, scheme members and other relevant bodies, which include the Pensions Regulator and Scheme Advisory Board.
- 1.4 Between October 2018 and July 2019 the UK pensions Regulator engaged in a consultation with 10 local Government Pension Funds in England and Wales to establish the Scheme Managers' approach to a series of key areas and associated risks within those areas as follows:
 - Record Keeping
 - Internal Controls
 - Administrators
 - Pensions Boards
 - Internal Fraud/False Claims
 - Employers& Contributions
 - Cyber Security
 - IDRP (Internal Dispute Resolution Procedures)
 - Member Communications
- 1.5 Following completion of the engagement the Regulator compiled a report detailing the findings/outcomes identified during the process across the 10 participating Pension Funds, as well as a series of recommendations and actions to help address those findings (where required). The report also highlighted instances of best practice which could be adopted.
- 1.6 Whilst it is not a statutory requirement for local authorities to undertake this exercise it is a useful benchmark of processes and procedures. The RCT Pension Fund was not reviewed as part of the Regulator exercise, the Scheme Manager in consultation with the Chair of Pension Board has deemed it good practice to verify and ensure that the arrangements operated by RCT are compliant with the Pensions Regulator's Engagement Report.

2. SCOPE & OBJECTIVES

- 2.1 In accordance with the Internal Audit Plan for the financial year 2020/2021 as agreed by Audit Committee, a review of the key controls within the Pension Regulator's Engagement Report was undertaken.
- 2.2 During the fieldwork, and as a result of the Covid 19 pandemic, the audit scope was expanded to provide assurance to Management around key processes following the Service's transition to 'Home' working.
- 2.3 Audit testing was carried out to gather and review evidence available and provide assurance as to whether the RCT Pension Fund meets the key findings of the Regulator's Engagement Report. The objectives of the review were to ensure that:
- The RCT Pensions Service can demonstrate that it meets, and has processes and procedures in place that address the findings contained in the Report.
 - During 'lockdown' robust controls were put in place to support the key processes undertaken remotely for new pensioners into payment and pensioners changing their circumstances.

3. AUDIT APPROACH

- 3.1 Fieldwork took place specifically at meeting the agreed objectives. The Chair of Pension Board assisted with the provision of evidence in relation to the Board operations.
- 3.2 Any significant issues identified were discussed with management before being reported.
- 3.3 A draft report was prepared and provided to management for review and comment, with an opportunity given for discussion or clarification, if required.
- 3.4 This final report incorporates management comment together with the timetable for the implementation of agreed recommendations. It has been issued electronically to the following Officers;
- Chief Executive
 - Director of Finance & Digital Services
 - Service Director Pensions, Procurement & Transactional Services
 - Pensions Service Manager
 - Service Director Finance & Improvement Services.
 - Chair RCT Pension Board
- 3.5 Audit Committee will also receive a summary of the final report in the form of the Introduction and Opinion along with a synopsis of all recommendations made.
- 3.6 Management will be contacted and asked to provide feedback on the status of each agreed recommendation, once the target date for implementation has expired.

4. AUDIT OPINION

4.1 ***The overall control environment in respect of the Pensions Service is considered to be effective with opportunity for improvement.***

4.2 **Objective 1 – Compliance with the Pension Regulator’s Engagement Report**

Record Keeping

The Service was able to demonstrate that member data is reviewed and kept up to date and there is a Data Improvement Plan to continually improve the way data is captured and retained. The data scores provided to the Pensions Regulator evidences a high level of compliance.

Internal Controls

The Service has a Risk Register which is presented to both the Pension Board and Pensions Committee, and this is regularly reviewed by the Pensions Working Group and Pensions Advisory Panel. It is a published document and is readily available to all members via the *RCT Pension Fund Website*.

A suite of key Governance documents are published and reviewed annually, including a Governance Compliance statement. Fund strategic decisions are made by the RCT Pensions Committee in accordance with their Terms of Reference, with operational decisions delegated to the Council’s Section 151 Officer. Minutes of the Pensions Committee / Pension Board are publicly available online and in accordance with the requirements of the Pension Regulator.

Administrators

The RCT Pensions Team is an internal team with all staff directly employed by the Scheme Administrator (RCTCBC). The Service has key service standards in place, included in the *Pensions Administrative Strategy* (PAS) document, an agreement which sets out the roles, requirements and responsibilities of both the Fund Administrator and the participating Employers.

Pensions Board

The RCT Pension Fund Board comprises of four members (the minimum statutory requirement), two Employer representatives (one is Chair) and two Member / Pensioner representatives. Attendance at Board monitored and no meetings have failed to be quorate since the Board established. Appointment of Pensions Board representatives is undertaken by the Director of Human Resources and the Director of Legal Services, who are independent for the day to day operations of the Fund.

The Pension Board has its own ‘Skills & Knowledge Framework’ which is reviewed quarterly. All Board members have completed both the LGA Trustee Training and the Pensions Regulator Trustee training modules, with other development events attended throughout the year.

The RCT Pension Board meets on a quarterly basis, and attend the Fund’s Annual General Meeting each November. The Chair of the Pension Board and the Chair of Pensions Committee have both previously attended each other’s respective

meetings and participate in a joint Board/Committee meeting annually to review Fund Policy documents.

There is regular dialogue maintained between the Chair and the Service Director outside of the formal meetings, with the Board meeting agenda set jointly based on standard items plus developing issues. Annual Surveys issued by the Pension Regulator, etc. are also undertaken jointly.

The Chair of Pension Board also represents the Fund at the Wales Pension Partnership 'Pooling' (WPP) engagement days twice yearly, with minutes feedback to Board to enhance transparency. WPP agendas and minutes are published and available to the Board as is the web cast.

Internal Fraud / False Claims

Procedures and internal controls have been developed for all staff and are reviewed whenever necessary following changes to processes / tasks undertaken. Data sources are also utilised in the detection and prevention of fraud, they include, NFI, Monthly Mortality Screening Service, Tell us One Service and the NI database.

Employer Contributions

The Service reviews all monthly Employer contribution payments and reconciles these payments to the Council's Financials system. A Fund 'Breaches Policy' is in place to manage and deal with any failure by any Employers to pay the appropriate contributions on time.

Employer solvency checking is undertaken as part of the Valuation cycle of the Fund every 3 years, and was last undertaken 2019. There is currently no evident solvency risk of any of the participating Employers of the RCT Pension Fund. The RCT Pensions Fund has a *Fund Strategy Statement* which details the principles in dealing with exiting employers.

Cyber Security

The Fund is reliant on RCTCBC's network / system security arrangements, the Pensions system (Altair) is remotely hosted by Heywoods.

RCTCBC's ICT Service in liaison with the Pensions Service have developed an *ICT Risk Assessment* specifically tailored for the Pensions Service and there is a section included in the Risk Register relating specifically to cyber security, which links to the Risk Assessment document.

The RCT Pensions Board and Pensions Committee have received a security briefing in relation to cyber security risks, from Council ICT Officers.

Internal Dispute Resolution Procedures (IDRP)

The Service has a formal internal dispute procedure document available via the RCT Pension Fund website. The Complaints process is also included within the *RCT Pensions Governance Policy Statement*.

The Pensions Team analyse and monitor the results of all formal complaints received and these are also reported to the Pensions Board. On occasions, the service are required to respond via the Council's *Corporate Complaints Policy*.

Member Communications

The Service has established several lines of communication with its members, the primary source is the *RCT Pension Fund Website*. The site also includes links to the main LGPS Member Website which provides various useful online tools to help members i.e. pensions calculators and guidance videos.

Further forms of communication available include the Pensions Helpdesk, Member Self-Serve (MSS), Annual Benefit Statements, Annual Newsletter and the Annual Pension Report. A Communications Forum with representative Employers and Trade Unions, also meet with the Service on a quarterly basis.

The Service does not issue a survey or questionnaire to scheme members for feedback, however it was established that work is currently being undertaken to devise appropriate feedback surveys / questionnaires. It was also identified that website traffic (i.e. visits to the RCT Pensions Website) can be monitored by the Pensions System Administrator, however this is currently not undertaken.

4.3 Objective 2 – Appropriate Remote Working Processes are in Place

For the sample of 10 new pensioners sampled it was established that:-

- 'New Pension Packs' were promptly issued to employees who had retired.
- All the 'Packs' were returned fully complete and processed appropriately.
- The monthly and lump sum pension to be paid had been calculated promptly and verified by appropriate officers.
- The pension calculation was promptly passed to the payroll section and paid.
- The first monthly pension and lump sum paid corresponded to the letter sent to each new pensioner. In each case the monthly payment was paid from the day after they terminated their employment.
- The monthly and lump sum pension was paid to the bank account instructed by the new pensioner.

For the sample of 10 pensioners who had requested changes in their personal details, for example, change of address or bank account it was established that:-

- All changes had been promptly actioned.
- Appropriate evidence had been received for each change made.
- The changes were correctly made.
- Letters were sent to each pensioner informing them of the changes made.

4.4 By implementing the associated recommendations contained within this report, Management will further enhance the standard of controls already in place.

ACKNOWLEDGEMENTS

A number of staff and the Chair of Pension Board gave their time and cooperation during the course of this review. Internal Audit would like to record its thanks to all individuals concerned.

5. DETAILED FINDINGS

The findings of the review are reported on an exception basis to focus on issues where action is recommended. Each of the issues / recommendations detailed has been given a priority rating to assist management in directing and prioritising resources in accordance with areas of risk, these ratings being high, medium or low.

5.1 Member Communications

AUDIT OBJECTIVE: The Pension Service has appropriate lines of communication with its members.

REF & PRIORITY	FINDING	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY & TARGET DATE
5.1.1 Low	<p><i>It is often helpful for the Scheme Manager to measure the effectiveness of their communication with savers e.g. measuring website traffic and running surveys.</i></p> <p>Currently, the RCT Pension Service does not issue any form of survey or questionnaire to members to gather feedback and views on various aspects of the service provision / website usefulness which could be used to help identify service improvements.</p> <p>During the review it was reported that the Service is currently in the process of developing a series of surveys.</p>	The Pension Service are not obtaining feedback from members / pensioners to help identify service improvements.	The Scheme Manager should continue to develop a series of surveys and / or questionnaire's which could be used to help identify service improvements.	Agreed. The Fund have previously issued membership surveys, however with extremely low response levels. A targeted approach will be developed based on activities.	Pension Service Manager September 2021
5.1.2 Low	The Pensions System Administrator stated that the Google Analytics online toolkit can be used to establish website traffic for both the RCT Pension Service website and the My Pension website, however, this facility is not formally used and the figures are not being reported to the Pension Board.	The Pension Service are not utilising a toolkit to monitor members visiting the websites.	<p>The Scheme Manager should formally use / capture and monitor, traffic to the Pensions websites.</p> <p>This data would help identify / target users for survey / questionnaire distribution.</p>	Agreed.	Pension Service Manager May 2021

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**Quarterly
Engagement
Report**

January-March
2021



**National Grid,
BHP, HSBC,
Centrica, HSBC,
Compass Group,
Heidelberg
Cement**

CLIMATE EMERGENCY



National Grid Commits to Vote on Climate

Objective: LAPFF has promoted a ‘Say on Climate’ at the National Grid AGM as a crucial mechanism for investors to be able to approve (or otherwise) the company’s net zero transition plans, preferably on an annual basis.

Achieved: Following a series of meetings held with the chair, the board announced in March that an advisory vote would be provided for shareholders at the 2021 AGM to put the company’s climate change-related targets and action plan to the 2022 AGM for review and approval.

In Progress: Within the Climate Action 100+ (CA100+) investor initiative, National Grid has come to be identified as a ‘leader’ in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging we have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US

“As a supporter of ‘Say on Climate’, LAPFF is pleased to have been part of securing a vote at this year’s AGM for the company’s climate change targets and action plan. We appreciate the serious consideration the board has given to the matter and very much welcome the company taking this opportunity to seek shareholder support’.

CLlr Rob Chapman, LAPFF vice-chair

electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and was a target aligned with the Science Based Targets Initiative’s two degrees pathway. CA100+ has issued its benchmarking analysis for National Grid, and engagement will pick up on those areas where further action can better align the company with a 1.5 degree pathway.

Heidelberg Cement Commits to Review of Lobbying Activity

Objective: An ‘explicit and decisive’ response was sought from Heidelberg Cement to towards complying with investor expectations relating to corporate climate lobbying.

Achieved: A collaborative letter, under the auspices of the CA100+ initiative, set out a request for public disclosure of a comprehensive corporate lobbying review to assess the alignment of lobbying activities with the Paris Goals, and to set out what steps the Company intends to take in the event of areas identified in misalignment. After a call from lead investors, a response was forthcoming. The company noted it has pushed its associations to take a pro-active stance towards industry transformation in alignment with the Paris agreement and that these actions had already changed the stance of key organisations leading to the publication of carbon-neutrality roadmaps by them.

In Progress: The company has fully committed to a review to be published before the 2021 AGM.

CLIMATE EMERGENCY



HSBC Resolution Pulled after Shareholder Requests Met

Objective: A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement.

Achieved: The LAPFF chair engaged with HSBC in July 2020 on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following the resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has

committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.

In Progress: Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.

New LAPFF Monitoring Pledge on Samarco Dam Collapse

Objective: LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. Over five years from the dam collapse in Mariana, Brazil, only five of the over 500 houses destroyed have been re-built, and none of them are occupied. Houses represent only one aspect of the reparations needed, including a

restoration of water quality in the Doce River, community cohesion, and mental health services for people suffering from the impacts of the dam collapse.

The reparations were meant to be undertaken by the Renova Foundation, a joint venture established through Vale and BHP in partnership with Brazilian officials. However, Renova has been unable to follow through to date. Part of the problem appears to be that the affected communities do not trust Renova to act on their behalf. In fact, there has now been a lawsuit filed by the Brazilian Public Prosecutor in Minas Gerais, where Mariana is located, calling for Renova to be disbanded. The suit alleges that Renova has served to limit the liability of BHP and Vale rather than pursue the interests of the communities in the reparations process.

Given these obstacles and delays, LAPFF's primary objective is to put pressure on BHP, Vale, and Renova to speed up the reparations process. A corollary of this objective has been to determine what the specific community asks of the companies and of Renova are.

Achieved: While BHP Chair, Ken MacKenzie, does not appear to be eager to engage, Cllr McMurdo had another useful meeting with Sandra Guerra, a non-executive director at Vale. He also met with Renova Foundation's CEO, Andre de Freitas. Neither Ms. Guerra nor Mr. de Freitas is happy with the slow pace of reparations, but they both pointed to obstacles they believe have prevented a faster process.

Cllr McMurdo also joined Adam Matthews and John Howchin in LAPFF's quarterly discussion with affected community members. The community members present urged the investors to do more and emphasised the slow pace of reparations. The meeting was quite frustrating in that LAPFF was unable to ascertain exactly what the community is asking of BHP, Vale, and Renova. However, subsequently it became clear that they would like to see Renova disbanded and replaced with an entity that better respects and incorporates community voice into reparations decision-making.

LAPFF does not doubt that there are significant obstacles to providing reparations. Nonetheless, over five years on, it is also clear that no excuses can be made. Cllr McMurdo was clear

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in both meetings that notwithstanding the obstacles articulated, both Vale and Renova, along with BHP, must find a way to speed up the reparations process. LAPFF therefore expressed its intention to all three parties to post monthly on the LAPFF website the number of houses that have been re-built. It is hoped that

all houses will be re-built by 5 November, the next anniversary of the Samarco dam collapse. This first post on the LAPFF website will take place in early April. **In Progress:** LAPFF will continue to engage with BHP, Vale, the Renova Foundation, and affected communities in the hopes of speeding up reparations. It

will check in monthly with Renova and the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these disasters rather than scrambling to make reparations, where these are even possible, after the fact.

Resolution Copper Developments on Hold

Objective: LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. In particular, the San Carlos Apache Tribe in Arizona has objected to the project, claiming that the proposed copper mine would destroy one of the tribe’s sacred sites. Other groups have expressed concerns that Resolution Copper and Rio Tinto – the operating partner in Resolution Copper – have not taken adequate steps to protect natural resources, such as water, affecting surrounding communities. Therefore, meaningful community engagement and protection of natural resources, including water, are the two overarching objectives of this engagement.

Achieved: For Resolution Copper to move forward, the US Forest Service must issue an impact assessment that allows for a land swap from the federal government to Rio Tinto. In the final days of the Trump Administration, this impact assessment was issued, and it was assumed that the land swap would follow within 60 days, as prescribed by the law governing the exchange. LAPFF spoke with representatives of Resolution Copper and Rio Tinto, including a representative of the Hopi tribe which, along with the San Carlos Apache, is affected by the Resolution Copper project to obtain the companies’ view of the project. LAPFF also reviewed the Forest Service impact assessment.

What emerged from this research was that there were huge gaps in the information provided by the Forest Service impact assessment. Neither the Resolution Copper nor Rio Tinto representatives have provided LAPFF with impact assessments of the mine itself,



despite repeated requests to both parties for this information. They only provided 36 cultural impact assessments pertaining to the land surrounding the mine. The Forest Service impact assessment also refused to assess the mine’s impact on the grounds that it would soon be private land and therefore not within the purview of its analysis. This assessment was issued notwithstanding the fact that the lands are still public and there is some question about the legality of transferring them to a private actor. In LAPFF’s view, the quality of this assessment was also extremely poor overall. Among other deficiencies, it failed to address water supply issues for the surrounding communities in any useful way.

The water concerns surfaced in a meeting between LAPFF Chair, Cllr Doug McMurdo, and Mayor of Superior, Arizona, Mila Besich. This meeting was very interesting because Mayor Besich is very keen for the Resolution Copper project to proceed. She believes it will bring



Top: Sunrise Dance on the San Carlos Indian Reservation Arizona

Above: Roy Chavez, a resident of Superior, Arizona, and former miner, shows a model detailing the subsidence that can occur from the block cave mining method at the Oak Flat Campground, which Chavez and others believe will be destroyed by eventual cave-in from the Resolution Copper mine.

Picture taken June 13, 2017

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significant economic benefits to her town, which has suffered from job losses and economic woes since the 1980s. However, she spoke about her struggles in engaging with Resolution Copper and Rio Tinto. Specifically, she found the companies dismissive of her community's needs, including access to water. Moreover, she expressed the opinion that what the companies needed to do to fix the water access concerns would have cost the equivalent of a rounding error to them.

LAPFF was concerned after this engagement that there was not enough information to make a good assessment about the risks of the project. Additionally, in LAPFF's view, it made no sense to proceed with the land swap without understanding if the project was viable first. Therefore, LAPFF wrote to Deb Haaland, who was confirmed on 15 March as the new – and first ever Native American – US Secretary of the Interior. The letter expressed LAPFF's concern about the risks surrounding the Resolution Copper project and the need for the companies to engage in a positive way with communities affected by their project.

Just after the Biden Administration took office, LAPFF received notification from a community representative that the US Forest Service impact assessment had been rescinded and that consequently the land swap would be postponed. The US Forest Service will issue a new impact assessment, presumably to help address some of the shortcomings of the rescinded assessment. The time frame for the new Forest Service assessment and land swap is not clear at this point.

In Progress: LAPFF has made clear to both BHP and Rio Tinto that there cannot be another Juukan Gorge (the event in Western Australia where Rio Tinto blew up two culturally significant caves against the will of the affected Aboriginal community). LAPFF has also made clear that it makes no sense for the land swap to proceed unless there is clear evidence of Resolution Copper's viability. There are continuing discussions with both BHP and Rio Tinto on these issues. LAPFF continues to be open to discussion with a San Carlos Apache representative who has been invited to discuss the issue with Cllr McMurdo. It is also hoped that with Ms. Haaland's confirmation, she might meet with Cllr McMurdo to share her thoughts on the project.

Compass Group Food Parcels Questioned

Objective: In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again.

Achieved: After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25th of January, as a gesture of goodwill.

In Progress: The Forum has since reached out to Compass Group to discuss the

company's governance as a whole during the pandemic and met with the company's Investor Relations representatives on the 31st of March.

Amazon Investor Letter Questions Company's Trade Union Practices

Objective: LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon is respecting workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. The request includes reassurance that a free and fair union election will take place at the facility.

Achieved: There are now investors with just over US\$7.1 trillion in support of this initiative. To date, Amazon has responded in letter form that it has appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees. However, the investors in this collaborative engagement have not been satisfied with the company's response. This is in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.

In Progress: There has been a follow up letter sent requesting a meeting with Amazon to discuss this issue further. The investors are awaiting a response from the company.



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LAPFF Challenges Shell on Climate Transition Plan

Objective: LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. The Forum is very keen to continue the collaboration with other investors, and make sure that investors collectively communicate a consistent and robust case to ensure all aspects of the company's financial outcomes and performance are understood fully.

Achieved: Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions. However, on 11 February 2021 Shell published goals that are ambiguous. For example, it claims to remove 120 million tonnes of carbon dioxide by introducing nature-based solutions (trees) by 2030. Achieving that target would require a mature forest the size of Washington State, which is difficult to envisage. In addition, Shell claims to want to remove 25 million tonnes of carbon dioxide by carbon capture and storage (CCS) by 2035. This has not been detailed or scheduled in any other material. The claim represents ten times the largest existing CCS project – [Gorgon Project](#) (Shell 25 percent, Chevron 75 percent) and this project in Australia continues to experience problems. Shell's announcement includes increasing liquid natural gas output by 20 percent by 2030 and only plans for a 17 percent reduction in oil extraction, compared to BPs 40 percent.

In Progress: Shell has proposed a non-binding shareholder resolution on its climate change plans. The LAPFF position will be guided by research and further engagement. At present, it is considered much more detail and evidence is required before any conclusions can be drawn about what vote is advisable.

Israeli-Palestinian Letters

Objective: The Israeli-Palestinian Territories have long been fraught with controversy. In February 2020, the Office of the United Nations High Commissioner for Human Rights published a list of 112 business entities that it had identified as having business activities related to settlements in these territories. The

Forum has been monitoring the ongoing situation in the territories and reached out to 16 companies in which a number of member funds hold to seek an engagement meeting. The aim of these engagement letters was to ascertain whether these companies had undertaken human rights impact assessments on their operations and if not, ask them to do so.

Achieved: Out of the 16 companies, LAPFF had one engagement meeting in the third quarter of 2020 with Altice Europe NV and received a number of responses from other companies. As a general blanket response from those whom responded in only written form, companies considered that they were acting in accordance with local law by not discriminating against any residents of the territories in which they were operating. These companies were concerned that simply operating in these areas was justification enough for them to be included on what many observers have dubbed a 'blacklist' from the UN.

In Progress: The Forum reached out to the UN OHCHR, seeking a meeting to engage on a couple of aspects of the UN list: (1) the methodology used when deciding what companies would be included on their list; and (2) what the UN considers companies have to do or provide for them to be removed from the list. This meeting took place at the end of March. The Forum has also been investigating models for a human rights impact assessments as a baseline to provide companies with in what the Forum might expect them to be undertaking.

Suzano and CA100+

Objective: Suzano, the Brazilian-based pulp and paper company, has been identified by CA100+ as critical to the net-zero energy transition. As one of two lead investors, LAPFF has been engaging with the company over the last 18 months, pushing it to take action to reduce greenhouse gas emissions, improve disclosures, and implement a strong governance framework from which company decision making can be made accountable. In January, LAPFF met with the company to encourage a response to the CA100+ net zero company benchmark. The benchmark will enable comparative assessment of the world's key emitters and the extent to which

businesses have aligned with a 1.5 degree global temperature rise.

Achieved: Since LAPFF began engaging with Suzano 18 months ago the company has set a target to reduce emissions intensity of scope 1 & 2 emissions by 15% by 2030. The company has also set a goal of removing an additional 40 million tons of carbon from the atmosphere by 2030, this on top of the already established target of carbon neutrality. Suzano has a forest base of approximately 2.2 million hectares and therefore the degree to which carbon can be sequestered naturally is significant. The company recognises the contribution its natural asset base can make to global net-zero efforts which is reflected in its carbon-negative ambition. In terms of disclosure, the company submitted a response to the CA100+ global benchmark during January 2021. After the data has been collated, LAPFF will be able to identify areas of the Suzano's carbon reduction strategy in which it is excelling as well as those areas improvements are required.

In Progress: LAPFF will continue to focus on the company's carbon reduction strategy with a focus on setting more ambitious scope 1 & 2 emission reduction targets. It is important that Suzano's natural offsetting capability is not used as a distraction from reducing its operational emissions. There is a finite carbon budget available all of which will be required to support industry in sectors that are harder to abate.

Tesco and Nutrition

Objective: During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction.

Achieved: Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and

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non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.

In Progress: LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

Volkswagen and General Motors on Electric Vehicles and Climate Change

Objective: Vehicle emissions are a major contributor to carbon emissions. As a result, carmakers are facing tightening regulatory environments. Rapidly changing emissions standards present financial risks to those carmakers not seeking to move to electric vehicle production. LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets, to push for net zero commitments, and to ensure that plans would support a just transition to net zero.

Achieved: The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal.

GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved.

At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in the Congo.

In Progress: LAPFF hopes that manufacturers that haven't already set



Lithium Ion Battery for Chevrolet Volt Electric Car

science-based targets for their scope 3 emissions will do so imminently and also expects investee companies to ensure that they are sufficiently capable of electrifying their fleets. The Forum intends to continue engagements with carmakers to ensure that they are meeting their targets and that short-term emission reductions are being achieved. This goal is especially important given the rise in the sales of larger vehicles which in some cases is offsetting gains from greater fuel efficiency and increased electric vehicle sales.

AngloAmerican on Climate

Objective: LAPFF wrote to AngloAmerican in November 2020 as part of a collaborative initiative coordinated by Sarasin and Partners, underscoring the vital role of accounting and audit in driving the net-zero transition. An Investor Expectation document provided guidance for ensuring material climate risks associated with the transition to a 2050 net zero pathway are fully incorporated into the financial statements. The letter asked that the guide be shared with all members of the Audit Committee as well as the auditor, from whom independent assurance on Paris-alignment is also being sought.

Achieved: One of the best responses received to date to a total of 36 letters sent to European companies in the

energy, transportation and materials sectors was from the Audit Committee Chair who clearly understands what was asked for and addresses it directly. He stated that the company has undertaken a review of climate risks in its financial statements and will publish the results in the forthcoming Annual Report and Accounts. The committee chair referred to specific risk areas including valuation of assets (i.e. impairment testing) where the committee considers carbon pricing and the impacts for assets and to asset exposure to physical risks – specifically the Chile copper mines to water scarcity – all of which feeds into the viability statement analysis.

In Progress: The audit committee chair has asked that, due to clear parallels, issues raised in this engagement be aligned with CA100+ engagement. LAPFF is also a member of the CA100+ collaborative investor group for Anglo-American.

LAPFF Socio-Economic Diversity Engagement Kicks Off

Objective: LAPFF seeks to enhance the diversity of both boards and the workforce at investee companies. Ensuring diversity across a range of characteristics within boards helps to tackle group think while improving diversity in the workplace helps ensure that all talent

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available to companies is utilised.

Achieved: HM Treasury and BEIS have commissioned an independent taskforce to improve socio-economic diversity at senior levels in financial and professional services across the UK. The taskforce is being run by City of London Corporation with support from Deloitte. LAPFF met with a representative from Deloitte to discuss the taskforce and highlight the role of investors. Alongside this meeting, the Forum also attended the latest meeting of 30% Club investor group.

In Progress: Over the next quarter the Forum will be meeting with companies from the financial services sector, which has a wide gender pay gap, to push for greater diversity. The Forum intends to stay in contact with the socio-economic diversity taskforce.

COLLABORATIVE ENGAGEMENTS



Asset Manager Engagements

LAPFF Chair, Cllr Doug McMurdo, has met with a range of large global asset managers to discuss their approaches to responsible investment. Topics have covered climate change, human rights, and audit, among others. The goal of these engagements is to ensure that asset managers are engaging on behalf of LAPFF members in a way that facilitates LAPFF's responsible investment policies and objectives. There is some indication that asset managers are starting to take LAPFF's input on board and engage more meaningfully on areas like climate and human rights in the wake of these meetings, but it appears there is a long way to go.

CCLA and Rathbones Modern Slavery Engagements

LAPFF has signed up to CCLA's 'Find It, Fix It, Prevent It' engagement and has re-joined the Rathbones modern slavery engagement. Both initiatives pair LAPFF with other responsible investment partners to improve employment standards in companies' supply chains. Rathbones is re-running its vote against slavery engagement in 2021 with 69 FTSE350 companies after success in 2020 in getting target companies to comply with the UK Modern Slavery Act.

WEBINAR

Webinar on securities lending and responsible investment

Webinar with Colombian Community Representatives Affected by Cerrejon

The burning of wood by Drax. Is it net zero, sustainable, and replicable?

Addressing Rio Tinto's legacy on Bougainville: ongoing environmental and human rights impacts of the Panguna mine

"We continue to hear from community members affected by mining companies how little the companies engage with them, if at all. The companies then tell us they are engaging with communities and cherry pick people to extol the companies' virtues. This goes across the industry. Such a massive failure of communication is astounding to me. How do the companies begin to assess their social and environmental risks if they are so selective in their engagements that they don't speak to the people they are impacting the most?"

Cllr Doug McMurdo, LAPFF Chair

IIGCC Shareholder Resolutions Sub-Group meeting

LAPFF has been participating nearly weekly in the IIGCC shareholder resolutions sub-group meeting regarding climate resolutions expected to arise over the course of 2021.

IOPA ENGAGEMENT MEETINGS

LAPFF has participated in the monthly IOPA meetings around after signing on to a number of letters last year calling for better governance at big pharmaceutical companies around employee safety and bonus structures in light of the current pandemic. There have been multiple resolutions filed through IOPA, one of which recently saw investors revolt against a 'Say on Pay' vote at AmerisourceBergen with 48% of all investors voting against the pay which was made up of 72% non-insiders.

CONSULTATION RESPONSES

LAPFF Just Transition Inquiry

LAPFF has now held two inquiry sessions on the just transition through the All Party Parliamentary Group on local government. In the first session, attendees heard from Rachel McEwen, SSE PLC & Scottish Just Transition Commission, Katrina Szwarc, Grantham Research Institute on Climate Change, Tom Harrington, GMPF, and Alison Tate, International Trade Union Confederation. Lord Deben (Chair, Committee on Climate Change) and Polly Billington (Chief Executive, UK100) spoke at the next evidence session in mid-March. This inquiry will span the whole of 2021 and interim findings are reported at quarterly LAPFF Business Meetings. A final report will be made at the end of the year. A video of the launch on 20th January is [available here](#).

EU Human Rights and Environmental Due Diligence Consultation

LAPFF submitted a response to the European Union's consultation on whether to implement a legal framework on human rights and environmental due diligence. This consultation prompted over 100,000 responses, according to Didier Reynerds of the EU. The EU's consultation comes after passage of and referenda on such laws in EU countries including France and Germany. Switzerland also narrowly rejected a

ENGAGEMENT

human rights and environmental due diligence law, although the proposal received the majority of the popular vote.

LAPFF supported the proposal for an EU legal framework on human rights and environmental due diligence. This position is rooted in LAPFF’s engagement work which suggests that there are real financial benefits linked to good social and environmental conduct by investee companies. LAPFF’s consultation response pointed to LAPFF engagements on climate and human rights to demonstrate how these issues are financially material. On climate, LAPFF has seen the fear of stranded assets come into full focus during the Covid pandemic with companies like Shell failing to offer cogent and convincing climate transition plans. On human rights, LAPFF’s work with community members affected by mining projects has highlighted the importance of companies’ social licenses to operate as a means of producing sustainable financial returns for investors.

It remains to be seen whether the EU decides to enact such legislation. All indications are that it will. However, there was a lot of debate about what the law might look like, including the role of director duties in this legislation, so we will have to see what form the draft law ultimately takes.

MEDIA COVERAGE

<https://www.ipe.com/news/lapff-backed-parliamentary-group-launches-just-transition-inquiry/10050135.article>

<https://www.reuters.com/article/resolution-copper-lapff/uk-local-government-pension-group-raises-concerns-over-rio-bhp-arizona-mine-idUSL1N2JJ1XN>

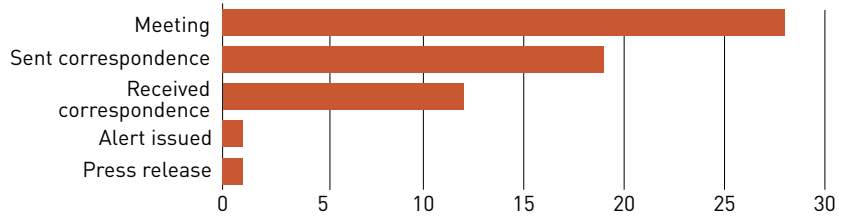
<https://www.ft.com/content/30d2fc62-aa44-11e9-984c-fac8325aaa04>

<https://www.newsroom.co.nz/2019/08/20/762606/nz-super-fund-corrals-15tn-for-livestreaming-action>

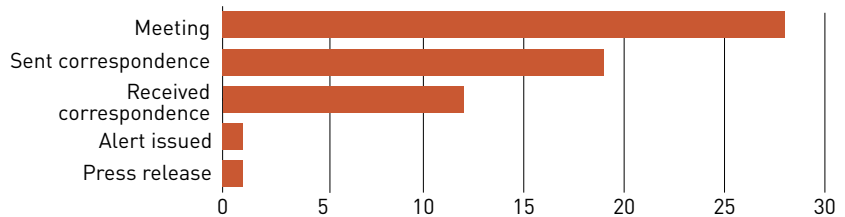
<https://www.itv.com/news/2021-03-25/will-deliveroo-stumble-on-its-stock-market-debut>

ENGAGEMENT DATA

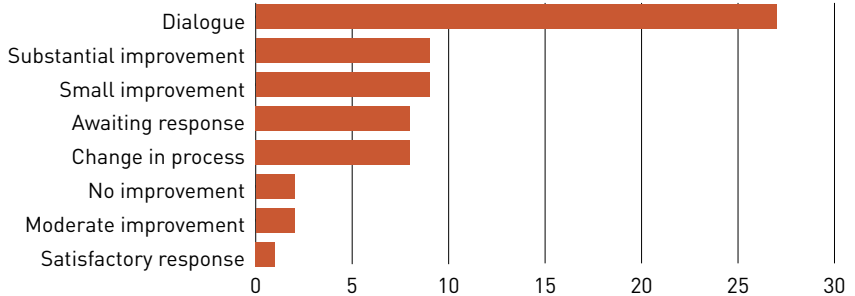
ENGAGEMENT TOPICS



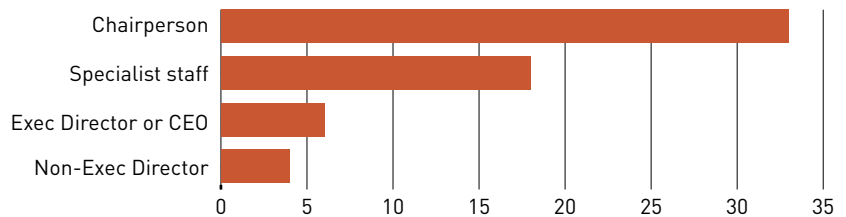
ACTIVITY



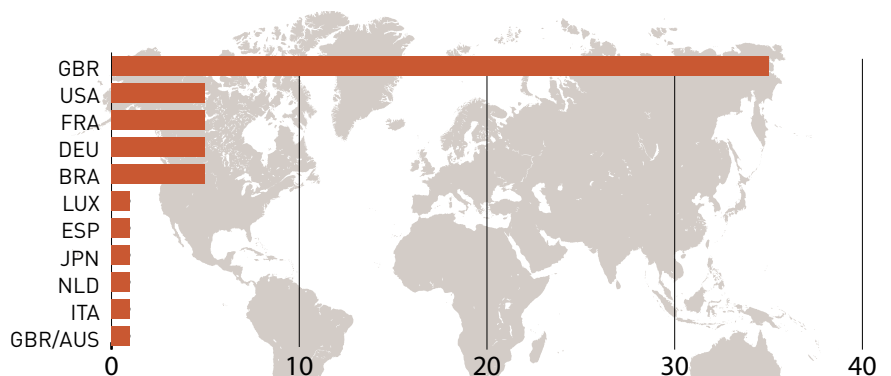
MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES



COMPANY PROGRESS REPORT

38 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Received Correspondence	Climate Change	Substantial Improvement
ARCELORMITTAL SA	Meeting	Climate Change	Dialogue
AVIVA PLC	Sent Correspondence	Board Composition	Awaiting Response
BARCLAYS PLC	Meeting	Climate Change	Small Improvement
BHP GROUP PLC	Sent Correspondence	Human Rights	Dialogue
BLACKROCK INC	Meeting	Climate Change	Satisfactory Response
CAPITA PLC	Meeting	Employment Standards	Dialogue
CENTRICA PLC	Meeting	Climate Change	Change in Process
CITIGROUP INC.	Meeting	Climate Change	Small Improvement
COMPAGNIE DE SAINT GOBAIN	Received Correspondence	Climate Change	Change in Process
COMPASS GROUP PLC	Meeting	Governance (General)	Small Improvement
DAIMLER AG	Received Correspondence	Climate Change	Dialogue
DIXONS CARPHONE PLC	Meeting	Environmental Risk	Dialogue
E.ON SE	Meeting	Climate Change	Small Improvement
ENDESA SA	Received Correspondence	Climate Change	Substantial Improvement
ENEL SPA	Received Correspondence	Climate Change	Substantial Improvement
ENGIE SA.	Sent Correspondence	Climate Change	Dialogue
GENERAL MOTORS COMPANY	Meeting	Climate Change	Small Improvement
HEIDELBERGCEMENT AG	Received Correspondence	Climate Change	Substantial Improvement
HSBC HOLDINGS PLC	Meeting	Climate Change	Moderate Improvement
LLOYDS BANKING GROUP PLC	Sent Correspondence	Board Composition	Awaiting Response
LONDONMETRIC PROPERTY PLC	Received Correspondence	Governance (General)	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Change in Process
RIO TINTO PLC	Meeting	Climate Change	Substantial Improvement
ROYAL DUTCH SHELL PLC	Meeting	Climate Change	No Improvement
SAINSBURY (J) PLC	Received Correspondence	Environmental Risk	Dialogue
SERCO GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
ST JAMES'S PLACE PLC	Sent Correspondence	Audit Practices	Awaiting Response
STANDARD LIFE ABERDEEN PLC	Received Correspondence	Board Composition	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Change in Process
SUZANO SA	Meeting	Climate Change	Small Improvement
TELEPERFORMANCE SE	Sent Correspondence	Employment Standards	Awaiting Response
TESCO PLC	Meeting	Other	Dialogue
TOTAL SE	Sent Correspondence	Climate Change	Moderate Improvement
VALE SA	Meeting	Governance (General)	Dialogue
VOLKSWAGEN AG	Meeting	Climate Change	Change in Process

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Ealing (London Borough of)	Leicestershire	Suffolk County Council Pension Fund
Barking and Dagenham (London Borough of)	East Riding of Yorkshire Council	Lewisham (London Borough of)	Surrey County Council
Barnet LB	East Sussex Pension Fund	Lincolnshire County Council	Sutton (London Borough of)
Bedfordshire Pension Fund	Enfield (London Borough of)	London Pension Fund Authority	Teesside Pension Fund
Bexley (London Borough of)	Environment Agency Pension Fund	Lothian Pension Fund	Tower Hamlets (London Borough of)
Berkshire Pension Fund	Essex Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Brent (London Borough of)	Falkirk Council	Merton (London Borough of)	Waltham Forest (London Borough of)
Camden (London Borough of)	Gloucestershire Pension Fund	Newham (London Borough of)	Wandsworth (London Borough of)
Cardiff and Vale of Glamorgan Pension Fund	Greater Gwent Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Greater Manchester Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Cheshire Pension Fund	Greenwich Pension Fund	North Yorkshire County Council Pension Fund	West Yorkshire Pension Fund
City and County of Swansea Pension Fund	Gwynedd Pension Fund	Northamptonshire County Council	Westminster CC
City of London Corporation	Hackney (London Borough of)	Nottinghamshire County Council	Wiltshire County Council
Clwyd Pension Fund	Hammersmith and Fulham (London Borough of)	Oxfordshire Pension Fund	Worcestershire County Council
Cornwall Pension Fund	Haringey (London Borough of)	Powys County Council Pension Fund	
Croydon LB	Harrow (London Borough of)	Redbridge (London Borough of)	Pool Company Members
Cumbria Pension Scheme	Havering LB	Rhondda Cynon Taf	Border to Coast Pensions Partnership
Derbyshire County Council	Hertfordshire	Shropshire Council	Brunel Pensions Partnership
Devon County Council	Hounslow (London Borough of)	Somerset County Council	LGPS Central
Dorset County Pension Fund	Islington (London Borough of)	South Yorkshire Pensions Authority	Local Pensions Partnership
Durham Pension Fund	Kingston upon Thames Pension Fund	Southwark (London Borough of)	London CIV
Dyfed Pension Fund	Lambeth (London Borough of)	Staffordshire Pension Fund	Northern LGPS
	Lancashire County Pension Fund	Strathclyde Pension Fund	Wales Pension Partnership

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

PENSION FUND COMMITTEE

13th JULY 2021

**REPORT OF: THE DIRECTOR OF
FINANCE AND DIGITAL SERVICES**

AGENDA ITEM NO. 5
<p>PENSION FUND RISK REGISTER – RISK REGISTER OVERVIEW</p>

**Author – Barrie Davies, Director of Finance and Digital Services (01443)
424026**

1.0 PURPOSE OF REPORT

1.1 To provide the Committee with details of the arrangements in place to manage risk within the Pension Fund.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

2.1.1 Note the arrangements in place for the management of risk within the fund; and

2.1.2 Review the Risk Register (Appendix 1) and consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

3.1 The terms of reference of the Pension Fund Committee sets out its responsibilities with regard to risk management, namely:

- *To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.*

3.2 The Director of Finance and Digital Services (in their capacity as S151 officer) supported by the Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day to day operational matters, which

includes ensuring that robust risk management arrangements are in place.

4.0 RISK MANAGEMENT

- 4.1 With regard to Risk Management, the Fund maintains a Risk Register which is reviewed and updated, as necessary and appropriate, on a quarterly basis.
- 4.2 The Risk Register is reviewed in detail and operationally by the Pension Fund Working Group, where recommended updates are made to reflect changes in risks. This is then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge and agreement.
- 4.3 Following the agreement of the updated register, it is published on the Fund Website.
- 4.4 The register is also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements.
- 4.5 The risk register, dated June 2021, is attached as Appendix 1 for review and consideration by the Committee.

5.0 CONCLUSION

- 5.1 This report sets out, for the Committee, the arrangements in place for the management of risk by the Pension Fund.

Summary of Pension Fund Risks

Introduction

The purpose of this document is to assess the risk associated with the RCT Pension Fund and to outline the control measures in place.

Key to scoring

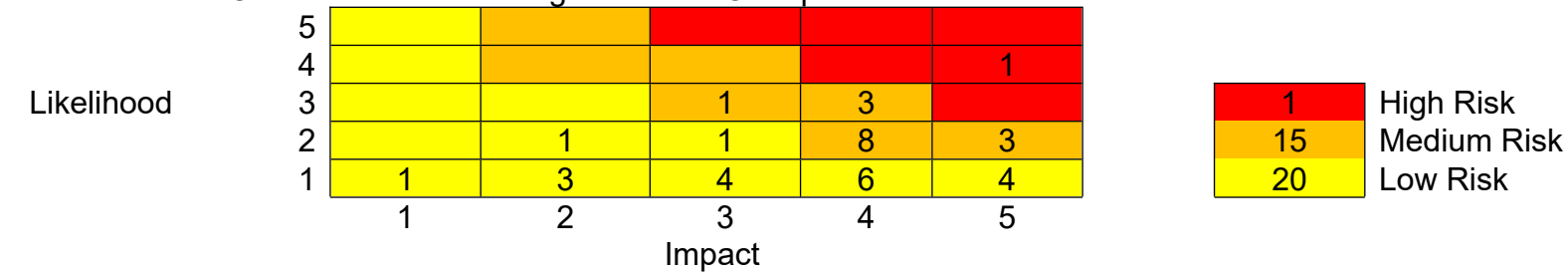
Likelihood Assessment Matrix:

Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months
Likely	3	50% likely to happen or has happened once or twice in the last 24 months
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years

Impact Assessment Matrix:

Risk	Score
Major	5
High	4
Moderate	3
Minor	2
Trivial	1

Ascertainment Of Risk Level According To Levels Of Impact And Likelihood:



Overarching Fund Objective – to ensure Fund assets are sufficient to meet Fund liabilities in the short, medium and long term

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2021 qtr
Funding	Long term investment strategy unable to meet the objective of funding liabilities.	5	2	10	MR	<ul style="list-style-type: none"> Monitoring of deficit, reporting on the funding levels produced by the actuaries. Monitoring of the adopted asset / liability model. Monitoring the outcome of the consultation on the remedies of the McCloud case in the Supreme Court 	
	Sub-optimal asset allocation throughout the portfolio.	4	2	8	MR	<ul style="list-style-type: none"> The investment strategy is reviewed and adopted by the Pension Fund Committee. The Committee (with advice from the Advisory Panel) should regularly review the asset allocation strategy. The review should cover both the fund strategy and the asset allocation. Post 2019 valuation review completed and implementation in progress 	Amended to reflect the completion of the valuation review
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	3	12	MR	<ul style="list-style-type: none"> Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling. Adhere to triennial valuations. Monitor performance against assumptions, consider Interim Valuations where necessary. Monthly monitoring of Pension Fund investment valuation given the uncertainty in markets due to Covid-19 Receive regular Actuarial Funding updates. 	
	Increases in Employer contributions.	4	2	8	MR	<ul style="list-style-type: none"> Participate in LGPS Scheme design consultation. Engage with Employers during and between Valuation cycles, particularly during times of organisational change e.g. downsizing, outsourcing. Ensure adequate securities / guarantees are in place where possible and that consequential risk is fully communicated to relevant parties. 	
	Potential for 'Cashflow Negativity'	4	2	8	MR	<ul style="list-style-type: none"> Regularly monitor cashflow impact position as contributions reduce Ensure sufficient income generation/liquid assets are available Regularly review Asset Strategy and adjust as necessary 	

	Detrimental changes to the maturity of fund membership. As the scheme matures the ratio of pensioner / deferred pensioner to active employees increases.	4	2	8	MR	<ul style="list-style-type: none"> • Monitor carefully through the valuation cycle. Ensure the investment strategy reflects current and forecast Fund maturity. • Actively participate in pension consultation, giving due consideration to any proposals that may have a disproportional impact on scheme 'opt out' rates. 	
Investments	Financial Market suppressed by economic climate, national / global austerity measures and Brexit.	4	4	16	HR	<ul style="list-style-type: none"> • Long-term funding plan with a diverse range of asset classes and Fund Manager styles. • Panel clearly understand the impact of market conditions on asset classes and fund manager performance. • Panel monitor and scrutinise performance, market conditions and forecasts. • Continue to monitor the potential implications of Brexit • Material economic and financial risk of infectious disease 	
	Custody arrangements may not be sufficient to safeguard pension fund assets.	4	2	8	MR	<ul style="list-style-type: none"> • An agreement is in place between the custodian and Pension Fund. • Monthly reconciliations are carried out to check external custodian records. • Funds held in the name of the Pension Fund or the WPP, not the Fund Manager nor the Custodian. 	Amended to reflect the units held in the WPP
	Investment returns fail to meet agreed targets.	4	2	8	MR	<ul style="list-style-type: none"> • Regular monitoring of investment returns. • Advisory Panel review and challenge of fund manager performance against their benchmarks and targets. • Use advisors to support the monitoring and challenge of fund managers. • Where performance issues arise, put more targeted review and challenge arrangements in place. 	

Adverse impact of the transition of the Pension Fund's assets into the Wales Pension Partnership pooling	4	2	8	MR	<ul style="list-style-type: none"> • Effective governance arrangement of the Joint Governance Committee and Officer Working Group • Key role undertaken by the Joint Governance Committee at transition process • Ensure operator establishes a tax efficient UK collective investment vehicle • Ensure the appropriate 'wrappers' for the investments in illiquid assets 	<p>Deletion of the Transition to ARBS to reflect the Pension Fund's new asset liability modelling</p> <p>Amended to reflect the transition of illiquid assets into the WPP</p> <p>As the fixed interest sub fund was launched in July 2020, this bullet point has now been deleted</p>
Investments are not carried out by the fund manager in accordance with instructions given by the Pension Fund.	3	2	6	LR	<ul style="list-style-type: none"> • Investment assets and transactions are monitored in-house via the Euraplan Shareholder II system. • Investment management fees are monitored on a quarterly basis. 	
Pension fund investments may not be accurately valued.	4	1	4	LR	<ul style="list-style-type: none"> • Investments are valued using correct prices obtained by fund managers from independent third party agencies. 	
Fund managers may not have the appropriate control framework in place to protect pension fund assets.	4	1	4	LR	<ul style="list-style-type: none"> • Agreements are in place between fund managers and the Pension Fund. • Portfolios are managed in accordance with the investment objectives. • Monthly reconciliations are carried out to check portfolios against administering authority records. • Third parties provide the Pension Fund with an annual internal control report, which provides assurance. • FCA regulated. • Fund managers have robust arrangements in place to manage mandates at difficult and volatile times 	
Fund manager mandate restrictions and benchmarks constrain returns.	3	1	3	LR	<ul style="list-style-type: none"> • Obtain advice from advisors. • Obtain advice from performance measurement company. 	

Governance	Introduction of new pooling arrangements by central government	5	3	15	MR	<ul style="list-style-type: none"> Joint Governance Committee and Officer Working Group has been formally constituted. Establishment of sub groups of the WPP for specialisation Wales Pension Partnership's CIV proposal approved by FCA on 24th July 2018, further submissions approved to allow for the development of additional sub funds Participation on consultation papers. Engagement with local pension boards Creation of sub funds continues to be effectively progressed Pension Board Engagement days held to update Pension Board Chairs and provide feedback Development of appropriate business plans, policies and procedures 	<p>Likelihood score reduced from 4 to 3</p> <p>Amended to reflect the prospectus submissions to the FCA for amendments</p> <p>Amended to reflect establishment of sub groups of the WPP to provide specialisation</p> <p>Amended to reflect the continued development of WPP policies and procedures</p>
	Failure to comply with LGPS Governance Regulation / Pension Regulator Code of Practice.	5	1	5	LR	<ul style="list-style-type: none"> Fund Governance Compliance Statement is reviewed and published annually. The Fund's 'Pension Board' became effective from 1st April 2015. The Fund has a breaches policy. Review the Investment Strategy Statement annually in accordance with MHCLG guidance. Benchmark against regulator on code of practice Submit Annual Pension Scheme Regulator Return on time Good governance review currently being considered by MHCLG 	Good Governance review amended to indicate it is now being considered by MHCLG and not the Scheme Advisory Board.
	Members, officers and advisors do not have the right knowledge or skills.	4	1	4	LR	<ul style="list-style-type: none"> The Pension Fund has adopted the CIPFA knowledge and skills framework. The Pension Fund Skill and Knowledge framework is reviewed at each Investment and Administration Panel, Pension Committee and Pension Board The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF. 	

	Loss of reputation.	2	2	4	LR	<ul style="list-style-type: none"> The Fund holds Annual General Meetings, Communication Forums, seminars and training. The Fund has a dynamic website responding to stakeholder requirements. Knowledgeable and professional staff. Meetings are held regularly with the Fund's employer authorities. Benefit statements are sent out annually to members by 31st August. Monitoring the policy on voting decisions and the impact should UK shareholder lose voting rights in EU companies. Annual reports are produced by 1st December The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund website http://www.rctpensions.org.uk/En/GovernanceandInvestments/Investments The Pension Fund's passive equities are invested in a low carbon product. External Audit and Audit Committee 	Amended to include External Audit and Audit Committee
	Conflicts of Interest arise.	3	1	3	LR	<ul style="list-style-type: none"> Declarations to be made by Advisory Panel Members, Pension Board Members and Pension Committee Members. Director of Legal Services maintains a Register of Interests. Fund Governance Policy. Employer / Member Engagement – Communication Policy. Transparency – published audited accounts, Valuation, Annual Report, etc. 	
	Failure to comply with the Myners Statement of Investment Principles.	2	1	2	LR	<ul style="list-style-type: none"> The Statement is reviewed annually by the Advisory Panel and approved by the Pension Committee. 	
Operational	Loss of key staff / expertise.	4	3	12	MR	<ul style="list-style-type: none"> Job descriptions and person specifications. Dynamic training program. Workforce planning arrangements in place. All staff are currently working from home during Covid-19 	
	Compliance with data quality regulation and best practice.	5	2	10	MR	<ul style="list-style-type: none"> Data Improvement Plan in place Good relationships / communication with Employers. Ensure timely notification by Fund Employers of new starters, changes and leavers. Issue annual benefit statements to scheme members for review. Breaches policy in place. Mandatory rollout of I-connect, monthly data submissions Monthly Data Screening Common and Scheme Specific Data reviews / scoring Scheme Member Self Serve validation available Fund participation in the National 'Tell us Once Service' TPR Annual Scheme Return and data score Membership data is hosted in the UK 	

Cyber security breach of the Fund's pension system and personal data contained.	5	2	10	MR	<ul style="list-style-type: none"> • Third Party supplier – cyber reliance controls • Controls and environment maintained and regularly reviewed in line with Council's standards. Internal controls include, appropriate password and access conventions, firewalls, virus and malware protection, data encryption requirements. • Annual control review or more frequent depending on environment / service changes • Designated Information Management Officer, with Security Incident reporting protocol. • Cyber Essential Accreditation • Public Service Network (PSN) Accreditation • Information & Security Board • All Wales Security Forum (WARP) • Cyber Security Principles for Pension Schemes' (Self Assessment) • Cyber Security Risk Assessment undertaken during Covid-19 	
Failure to meet Service Standards.	3	3	9	MR	<ul style="list-style-type: none"> • Pension Fund Administration Strategy. • Workforce planning, realign to meet one off demands, skills and training review. • Appropriate systems and technology. • Regular monitoring by Fund governance groups 	
Failure to implement scheme changes.	4	2	8	MR	<ul style="list-style-type: none"> • Regular updates are received, reviewed and acted upon in a timely manner. • Ensure software is adapted appropriately. • Membership of relevant pensions professional bodies. • Implementation of McCloud remedies 	
Employer ceases to participate in Fund / Admitted bodies go into administration.	3	2	6	LR	<ul style="list-style-type: none"> • Employer covenants or bonds. • Regular review of covenants. 	
Failure to hold and share personal data in accordance with the General Data Protection Regulation (effective 28 th May 2018).	5	1	5	LR	<ul style="list-style-type: none"> • Administering Authority Information Management Security policies. • All Scheme Member correspondence securely imaged. • Appropriate Data Protection Registration. • Third Party Data Sharing agreements in place • Fund Privacy Notice published • Employer Memorandum of Understanding implemented • Mandatory training undertaken by all staff • Awareness sessions held with the Fund's Governance groups 	
Failure to pay pensioners on time.	5	1	5	LR	<ul style="list-style-type: none"> • Payroll Timetables maintained. • Business Continuity Plan. 	

	Delivery of the 2022 Triennial Valuation	5	1	5	LR	<ul style="list-style-type: none"> 2021 Data Cleaning exercise Actuarial 'Employer Covenant' reviews 	New Risk
	Qualification of accounts.	4	1	4	LR	<ul style="list-style-type: none"> Financial Information reconciled on a timely basis. Accounts are prepared in accordance with the relevant regulations, guidance and Codes of Practice. Regular dialogue with external auditors. 	
	Operational disaster (fire / flood, etc)	4	1	4	LR	<ul style="list-style-type: none"> Business continuity procedures are in place and tested 	
	Compliance with Fund 'Dispute' Regulation.	3	1	3	LR	<ul style="list-style-type: none"> Internal Dispute Procedure in place. 	
	Failure by employers to pay contributions into the Fund on time and in accordance with the 2019 'Rates and Adjustments Certificate'.	2	1	2	LR	<ul style="list-style-type: none"> Monitoring of monthly receipts to remittances, with reference to the 2019 'Rates and Adjustment Certificate' Report any material breaches to Regulator in accordance with the Fund's 'Breach Policy' 	
	Fraud.	2	1	2	LR	<ul style="list-style-type: none"> Strict internal control mechanisms, segregation of duties, etc. Internal and External Audit Review. National Fraud Inspectorate participation. Whistleblowing policy in place 	
Regulatory	Failure to comply with LGPS regulations and any other new regulations.	4	1	4	LR	<ul style="list-style-type: none"> There are sufficient fully trained staff. Regular updates are received and acted upon. Membership of relevant pensions professional bodies. Welsh Pension Officer Group participation Welsh Pension Fund Treasurers Group participation. Compliance with MiFID II Submit Annual Pension Scheme Regulator Return on time MHCLC/LGA guidance issued to Fund Employers around the 'Exit' Regulations (now revoked) 	
	Non compliance of procurement rules	1	2	2	LR	<ul style="list-style-type: none"> Regular budget monitoring Periodic review of suppliers Contract procedure rules 	Amended Risk Description from excessive charges by suppliers to non compliance of procurement rules

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

PENSION FUND COMMITTEE

13th July 2021

**REPORT OF: THE DIRECTOR OF
FINANCE AND DIGITAL SERVICES**

AGENDA ITEM NO. 6
WALES PENSION PARTNERSHIP - UPDATE

**Author – Barrie Davies, Director of Finance and Digital Services (01443)
424026**

1.0 PURPOSE OF REPORT

1.1 This report provides the Committee with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

2.1.1 Note the update.

2.1.2 Consider and, if appropriate, approve the WPP Business Plan 2021-2024.

3.0 BACKGROUND

3.1 As the Committee is aware the UK Government's requirement for all pension funds to pool their investments has been progressing in Wales through the WPP.

3.2 The Partnership governance arrangements include a JGC which meets around 4 times a year. Each pension fund in Wales is represented on the Committee by their Chair (or Vice Chair).

3.3 The last meeting of the JGC was held on the 24th March 2021. The agenda can be accessed [here](#), which was shared with all Committee (and board) members before the meeting.

3.4 At the March 2021 meeting, the Host update included:

Work continuing to develop in a number of key areas:

- WPP Sub funds – Work continues with the next tranches of sub-funds covering emerging market equities and private markets.
- Finalising reporting requirements with Robeco, the WPP voting and Engagement Service Provider.
- Officer Working Group sub-groups:
 - Private Markets sub-group.
 - Responsible Investment sub-group.
 - Risk Register sub-group.

Next Steps / Priorities:

- Continuing the work of the private markets sub-group.
- Completion of the 2020/21 year-end closure of accounts.
- Prepare the 2020/21 Annual Update and Annual Return.

Other Key areas:

- Virtual training sessions continue.
- The website continues to be updated with approved policies, press releases and details of sub-fund launches.

3.5 It is recommended that the Committee review and approve the WPP Business Plan 2021-2024 (Appendix 1).

3.6 The next steps and optimal fund structure for the WPP private markets sub-fund are now being finalised.

3.7 The next JGC meeting is scheduled to take place on 28th July 2021.

4.0 CONCLUSION

4.1 This report provides the Committee with an update on the work of the Wales Pension Partnership and the Joint Governance Committee.



Wales Pension Partnership Business Plan 2021 -2024

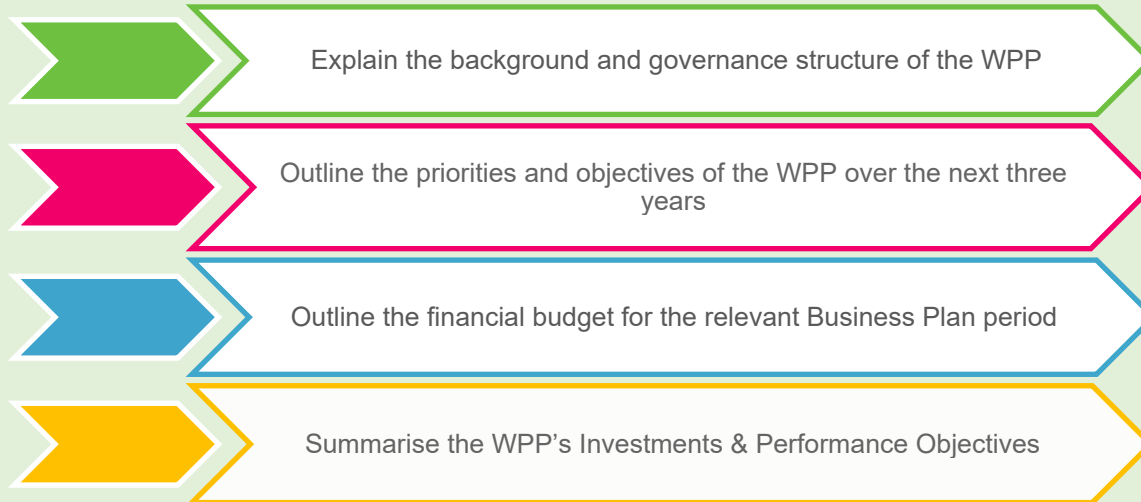


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Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2021/22, 2022/23 and 2023/24. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:



About the Wales Pension Partnership

Established in 2017, 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. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



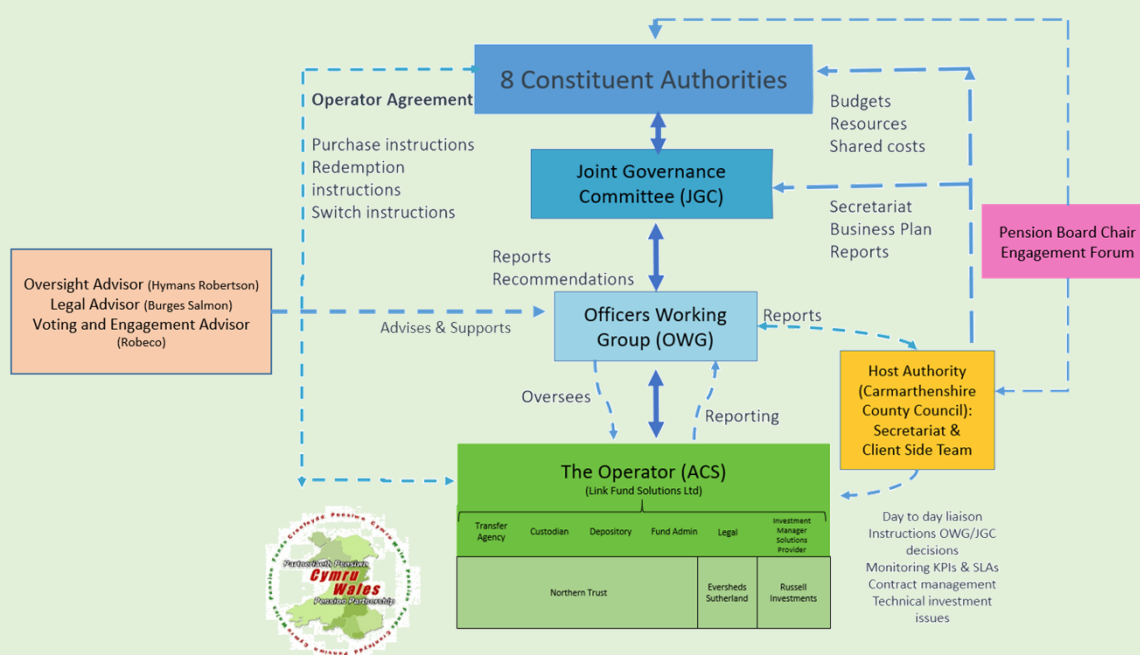
Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. 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, which has been designed to:



The diagram below shows WPP's governance structure:



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 this Business Plan, which outlines the WPP's budget and workplan, as well as its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillor and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Every 2/3 Months
Bi-Weekly Meetings	Every 2 Weeks
Annual Shareholder Day	Annual
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Engagement	Every 6 Months
Engagement via the website & LinkedIn	Continuous
Constituent Authority Annual Requirements & Ambitions Questionnaire	Annual

Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

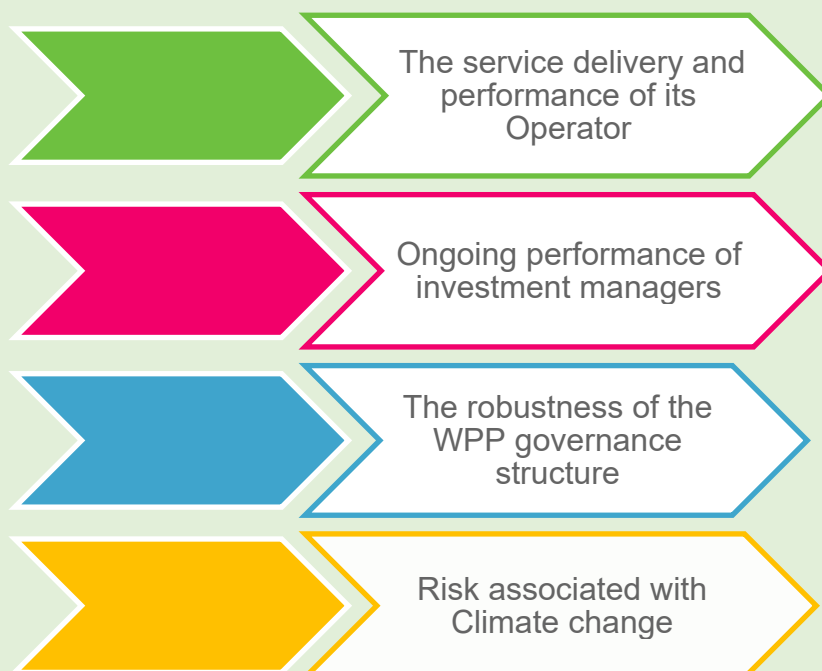
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, 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.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

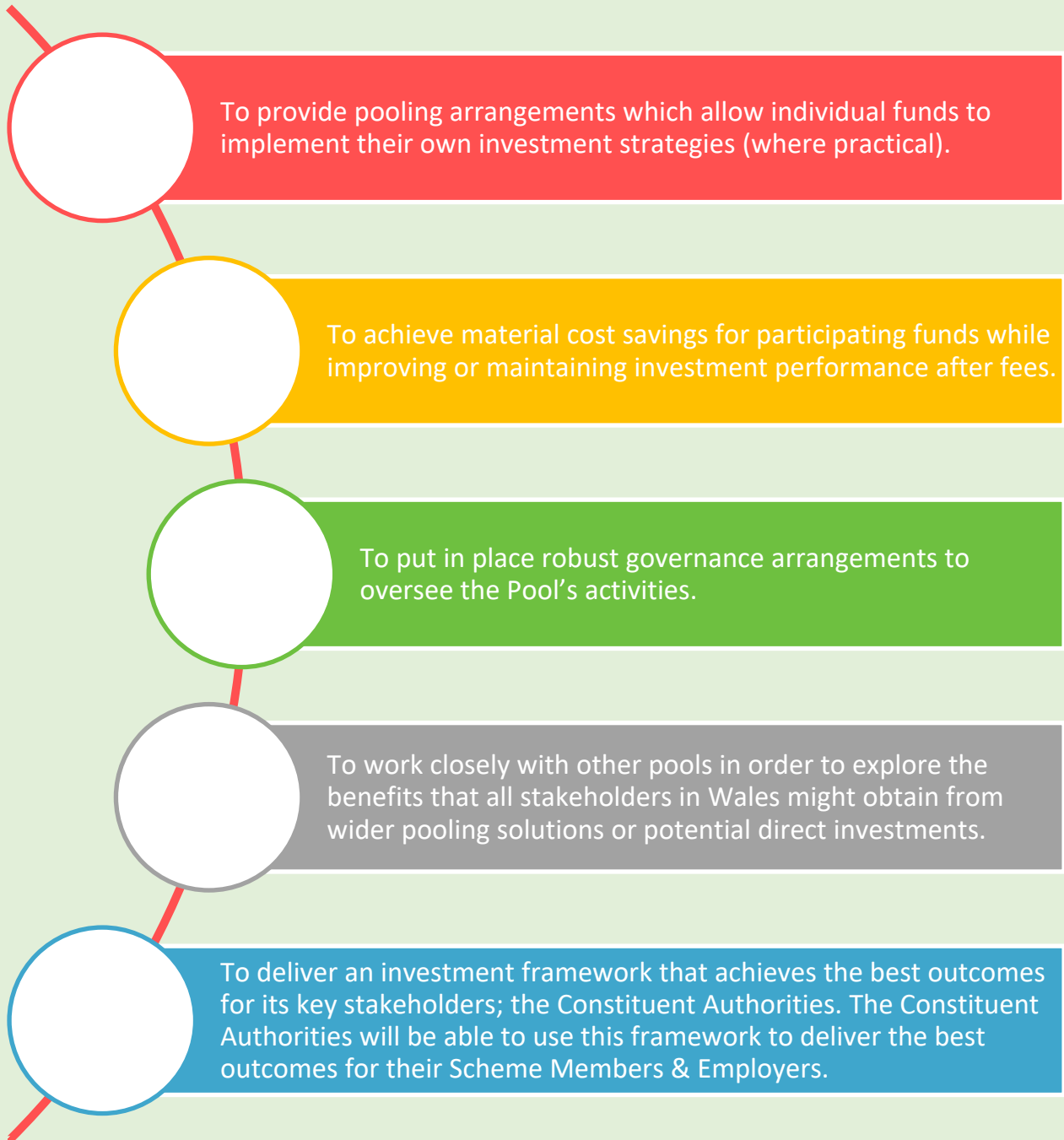
The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:



The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.

Good governance should lead to superior outcomes for the WPP's stakeholders.

Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.

Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders.

Effective internal and external communication is vital to achieving the WPP's objectives.

External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.

Fee and cost transparency will aid decision making and improve stakeholder outcomes.

Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.

A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

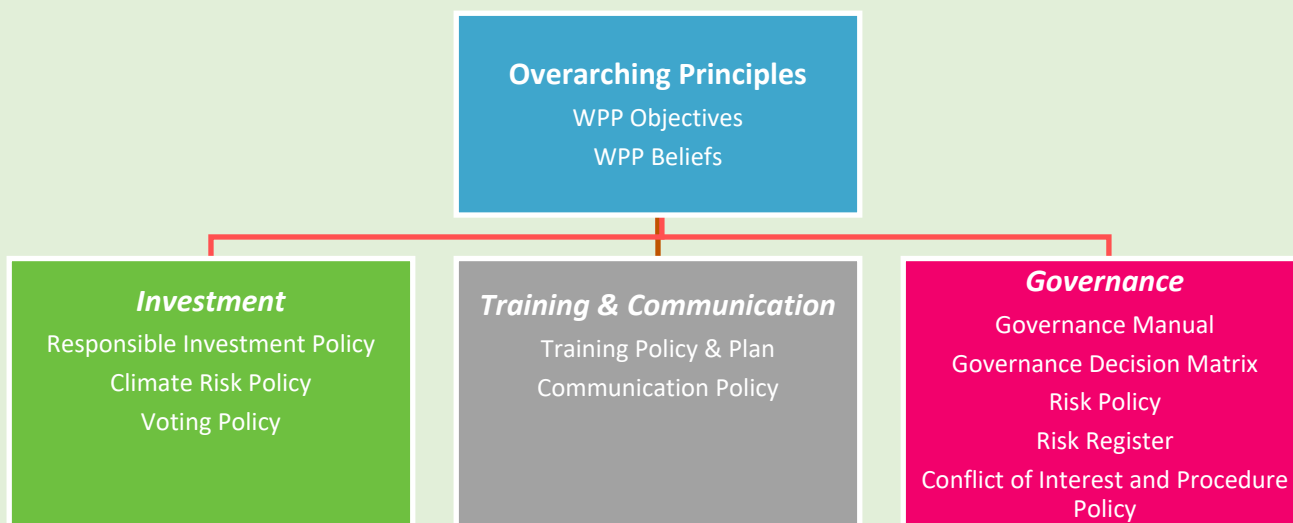
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP’s stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and 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 understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:



The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.



The WPP’s policies are reviewed on at least an annual basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed, these will be made available on the WPP website once completed. The policies play a vital role in the WPP’s governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

The tables below show the key priorities and objectives that the WPP aims to complete over the next three years.

Governance

The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carrying out ongoing reviews of its existing governance documents and structure.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Appoint a Scheme Member Representative to the Joint Governance Committee	✓		
Development of a WPP Rebalancing & Alteration Policy	✓		
Formulate a Responsibilities Matrix for WPP Sub-Funds	✓		
Development of a WPP Whistleblowing Policy	✓	✓	
Development of a WPP Complaints Policy		✓	
Development of a WPP Breach and Errors Policy		✓	
Develop 'Pre-sign-off Checklist Reports' for WPP Sub Funds	✓	✓	
Development of a WPP Business Continuity Plan	✓	✓	
Review of Inter Authority Agreement	✓	✓	✓
Annual review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓

Ongoing Establishment

The WPP is proud of its progress to date in regard to the pooling of assets and will continue to allocate resources to ensure that all suitable assets are pooled. To date the WPP has pooled 62% of its assets and by the end of March 2022 the WPP plans to have pooled c70% of its assets.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Launch of Emerging Markets Sub-Fund	✓		
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Formulate the WPP's Property requirements and optimal means of implementation	✓	✓	
Review and develop a mechanism to pool any suitable non-pooled assets		✓	✓
Launch of Private Equity Sub-Fund		✓	✓
Launch of other Private Market sub-funds (TBC)			✓
Consultation with CAs on need for further sub-funds	✓	✓	✓

Operator Services

The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers pose a material risk to the WPP. The WPP will prioritise the development of a framework that will allow it to monitor and evaluate the Operator's service delivery, this framework will be imbedded into the WPP risk monitoring mechanisms.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
WPP Operator Oversight Framework	✓		
Review of Operator's contract	✓		
Review of Operator KPI reporting	✓		
Market Review of developments within the Operator market	✓		
Setting up and implementing a framework for monitoring the performance of Russell as investment advisors to Link	✓	✓	

Communication and Training

The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and will publish numerous report and updates to ensure that it proactively communicates its progress to stakeholders. The WPP is very proud of the work it carries out on behalf of its stakeholders and will provide a summary and detailed report on its endeavours over the past 12 months in the form of the WPP Annual Update and Report. The WPP will also formulate its first WPP's Annual Responsible Investment Progress Report during the course of this year to articulate and provide detail on how the WPP is positioned from a Responsible Investment perspective and what work it has completed over the past year to further the WPP's Responsible Investment credentials.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Formulation of the WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓

Investments and Reporting

The WPP focus is primarily focused on providing investment solutions that are aligned to the requirements of the Constituent Authorities. The WPP will continue to formulate innovative and optimal WPP Sub Funds for Constituent Authority use. The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities.

Responsible Investment continues to be of the utmost important to the WPP and its Constituent Authorities. During this workplan the WPP will allocate resources to ensure that it has market leading level of stewardship. The WPP wishes to demonstrate its stewardship credentials by becoming a signatory to the UK Stewardship Code this year. The WPP will continue to consult with the Constituent Authorities and is hoping that its consultation activities will allow it to put in place minimum Climate Risk and ESG standards within its WPP Sub-Funds within the next year. The WPP will also enhance its ESG and Climate Risk reporting and its oversight and reporting of investment managers.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Development of Investment Manager performance reporting, including ESG metrics and climate change risk	✓		
Finalise Voting & Engagement Reporting Requirements	✓		
Become a signatory to the UK Stewardship Code	✓		
Formulate WPP Engagement Priorities and Implementation Framework	✓	✓	
Review the compatibility of WPP Sub-Fund Benchmarks with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment (e.g. TCFD Reporting)		✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual market benchmarking exercise of WPP Sub-Fund Investment Performance	✓	✓	✓
Consult with Constituent Authorities regarding minimum ESG/ RI standards and their climate ambitions	✓	✓	✓

Resources, budget and fees

The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP will carry out the following pieces of work to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2021 - 2022	2022 - 2023	2023 - 2024
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan 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.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2021/2022 financial year. The topics outlined below are based on the responses received from the 2020/21 WPP training requirements questionnaire/ assessment, which is issued to the Joint Governance Committee ('JGC') and Officers Working Group ('OWG') on an annual basis.

Product Knowledge

- o Private Market – Asset Classes & Implementation
- o Private Market - Fund Wrappers & Governance

Responsible Investment

- o Responsible Investment Indices and Solutions
- o Responsible Investment Reporting

Investment Performance and Risk Management

- o Performance Reporting & Manager Benchmarking
- o Roles & Responsibilities within the ACS

Guidance, Regulatory Requirements and Best Practice

- o Good Governance
- o Cost transparency

Market Understanding

- o Progress of other LGPS pools
- o Collaboration Opportunities

Budget

The table below outlines the WPP's budget for the next three years.

	2021-22	2022-23	2023-24
	£'000	£'000	£'000
Host Authority *	182	212	217
External Advisors *	680	680	680
TOTAL to be recharged	862	892	897
Operator Services **	28,447	34,614	37,975
TOTAL to be deducted from the NAV	28,447	34,614	37,975

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator Services costs are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).*

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £17.5bn (as at 31 March 2020). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

Equity Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Majedie, Lazard, Baillie Gifford, Ninety-One and Liontrust	Sept 19

Fixed Income Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Logan Circle, Fidelity and T Rowe Price	July 20
Global Government	FTSE World Government Bond Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	ICE BofA SONIA + 4% p.a.	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	ICE BofA SONIA + 2% p.a.	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

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SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

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Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>



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