



**CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL**

COMMITTEE SUMMONS

C Hanagan
Service Director of Democratic Services & Communication
Rhondda Cynon Taf County Borough Council
The Pavilions
Cambrian Park
Clydach Vale CF40 2XX

Meeting Contact: Marc Jones - Democratic Services Officer (07385 401845)

YOU ARE SUMMONED to a meeting of the **PENSION FUND COMMITTEE** to be held **Virtually** on **TUESDAY, 12TH JULY, 2022** at **2.00 PM**.

AGENDA

	Page No's
1. DECLARATION OF INTEREST	
To receive disclosures of personal interest from Members in accordance with the Code of Conduct	
Note:	
1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and	
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.	
2. MINUTES	
To receive the minutes of the previous meeting of the Pensions Fund Committee held on 8 March 2022.	
	3 - 8
3. WORK PROGRAMME	
	9 - 14
4. LEARNING AND DEVELOPMENT	
• Pension Fund Administration	

5. DELEGATED FUNCTION REPORT	15 - 36
6. PENSION FUND RISK REGISTER - RISK REGISTER OVERVIEW	37 - 46
7. WALES PENSION PARTNERSHIP - UPDATE (INCLUDING WPP BUSINESS PLAN 2022 - 2025)	47 - 64
8. URGENT BUSINESS	
To consider any urgent items as the Chairman feels appropriate.	

Service Director of Democratic Services & Communication

Circulation:

The Chair and Vice-Chair: (County Borough Councillor M Norris and County Borough Councillor M Ashford respectively)

County Borough Councillors: Councillor R Evans, Councillor M Rees-Jones and Councillor D Wood

RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the meeting of the Pension Fund Committee meeting held virtually on Tuesday, 8 March 2022 at 2.00 pm.

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

Councillor M Norris (Chair)

Councillor M Griffiths Councillor G Hopkins
Councillor E Webster

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 - Principal Accountant, Treasury Management & Pension Fund
Mrs T Watson - Senior Scrutiny and Democratic Officer
Mr K Bray - Forum Officer LAPFF
Ms T Younger - Head of Engagement PIRC Ltd
Mr A Quinn - Associate Director, UK Institutional, Russell Investments
Mr T Paik - CFA Manager, Russell Investments
Mr E Gough - Senior Relationship Manager, Link Group

RCT Pension Board Members in attendance:-

Professor H Coombs (Chair of the Board)
Ms S Absalom
Mr D Francis
Mr R Whiles

26 Apologies

Apologies for absence were received from County Borough Councillor L Hooper.

27 Declaration of Interest

Cllr Geraint Hopkins declared a personal interest in that he was part of the Local Authority Pension Scheme.

28 Minutes

It was **RESOLVED** to approve the minutes of the 13 December 2021 as an accurate reflection of the meeting.

29 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 and structure 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 and the priorities going forward. Following the presentation Members questioned the LAPFF representatives on how the companies were prioritised in respect of climate engagement, to make best use of available capacity.

The LAPFF representative explained holdings-based engagement and indicated that LAPFF members are requested to provide details of their holdings on an annual basis. In addition, there is a planned approach to the work with a draft work plan already issued for the coming year. This allowed for Member input into the work plan on what areas are most effective for LAPFF to address.

Members recognised that decarbonisation would be a challenge for some sectors. The LAPFF representative explained that whilst some sectors were called 'hard to abate sectors' a specific example was provided of ArcelorMittal, who had started using renewables and green hydrogen, and is a positive example of how a company is progressing its decarbonisation plans.

Members noted LAPFF's involvement in metrics and goals and asked for clarification. The LAPFF representative explained that the Climate Action 100+ Net Zero Company Benchmark sets out a useful set of 10 metrics that aim to bring consistency to and simplify the analysis that includes science-based targets. The LAPFF representative indicated that the approach was focussed on continuous learning and on-going development in respect of science-based targets, as currently only a small proportion of companies worldwide had such targets in place.

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.

30 To consider passing the following resolution:

RESOLVED: Members **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 5 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".

31 LINK SOLUTIONS AND RUSSELL INVESTMENTS

Members received a presentation from representatives at Link and Russell Investments.

Upon conclusion of the presentation Members **RESOLVED** to note the updates.

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 fell within the remit of the Committee as detailed in the terms of reference.

At 4.3, Table 1 set out the documents reviewed on an annual basis and those where proposed updates had been incorporated for the Committee's consideration were included in Appendices 1 - 5. The Service Director provided a brief overview of the proposed updates and indicated that these had also been circulated to the Pension Board, acknowledging the contribution made by Pension Board Members in this regard.

It was RESOLVED to approve the fund governance and strategy documents.

33 DELEGATED FUNCTIONS REPORT

The Director of Finance and Digital Services provided a Statement on the Russia / Ukraine crisis and Investments held by the Fund.

Rhondda Cynon Taf Pension Fund mirrors that of the statement from the Wales Pension Partnership and the LGPS in Wales, the statement being:

We are deeply saddened by the situation in Ukraine and our thoughts are with the Ukrainian people

The WPP total exposure to Russian investments is minimal at less than 1%. Even so, in the light of the terrible events we have witnessed, and the economic sanctions imposed internationally, as a collective we have decided to divest from these holdings as soon as is practically possible.

Given the circumstances we do not believe that engagement with these companies presents a viable option.

Rhondda Cynon Taf Pension Fund also has minimal exposure to Russian investments. It has contacted all managers with mandates outside the pooling arrangements expressing its view. It has given its support and backing to the statement of the Wales Pension Partnership and the LGPS in Wales.

The Director Finance and Digital Services then presented the report to members which set out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement. The Director referred members to the performance of the Fund detailed at the table in 4.3 of the report explaining that during the quarter ending 31st December 2021, the overall value of the Fund increased from £4,744 million to £4,819 million. In terms of the Fund performance, the quarter itself was positive at +1.6% but negative compared to benchmark (-2.6%), and with regard to 3-year performance this was well ahead of benchmark at +2.8% annualised.

The Director continued and indicated that the Baillie Gifford global core equity portfolio outperformed the rolling 3-year benchmark achieving a return of 22.2% against a benchmark of 13.1%, noting that this was held outside of the Wales Pension Partnership (WPP) pooled assets, pending implementation of the Fund's asset allocation strategy, and continued to provide significant added value. The Director went on to indicate that 71% of the fund was currently held within WPP pooled assets and the asset allocation de-risking strategy and initial exposure to the infrastructure product with Black Rock was now in progress. In terms of carbon exposure, Baillie Gifford, as one of the fund managers of the

WPP, had transitioned their mandate to their Paris Aligned product. Black Rock passive equity continued to be held in the low carbon tracker and the global opportunities sub fund continued to benefit from the carbon reduction overlay which was in place. It was added that the WPP creation of a sustainable equity fund will provide further options with regard to ongoing divestment from carbon and the ongoing transition to sustainable infrastructure which will see a further reduction in equity holdings overall. Active management along with engagement was a positive contributor to support effective carbon transition, with Managers instructed to represent the Fund's views and to continue to work with Robeco as voting and engagement partner and LAPFF.

The Service Director Pensions, Procurement and Transactional Services continued through the report starting at 5.0 and highlighting at paragraph 5.1 that the recent amendments to the Public Service Pensions and Judicial Officers Bill had expanded the McCloud remedy eligibility in the LGPS. The Service Director added that this extended scope will add further complexity and data collection requirements. At paragraph 5.2 the Service Director referenced changes to legislation around the 'Normal Minimum Pension Age' (NMPA), changing from 55 to 57 from 6th April 2028 and noted that this impacted the scheme and the pension protection age would be adjusted accordingly. At paragraph 5.3, the Service Director referenced the requirement for the UK Government, as part of the Pensions Act 2014, to review periodically future increases to State Pension Age, and indicated that the second such review had been launched and must be published by 7 May 2023. The Service Director indicated that the outcome of the review would be looked at closely, in light of any change impacting on when LGPS scheme members are able to receive payment of their benefits as well as the overall costs of the scheme.

The Service Director Pensions, Procurement and Transactional Services continued at paragraph 5.4 and highlighted that it was anticipated there would be further governance requirements for LGPS Pension Funds during 2022-23. The Department of Levelling Up, Housing and Communities (DLUHC) would progress recommendations from the Good Governance project and The Pensions Regulator's (TPR) Single Code of Practice Code is likely to be launched from October 2022. At paragraph 5.5, the Service Director highlighted that 2022 was a valuation year and had met with the Fund Actuary on a number of occasions, agreeing the Terms of Reference for the triannual exercise and with the aim of providing employers with the outcome of the exercise as timely as possible during 2022/23. The Committee were provided with death statistical information at paragraph 5.6 and paragraph 5.7 set out Member Self-Serve information, where it was agreed with employers at the last Communication Forum for a targeted awareness activity to be progressed to support improved take-up in this area.

The Service Director Pensions, Procurement and Transactional Services went on to Section 6 of the report, Pension Board, noting that the Pension Board had last met virtually on 31st January 2022 and there were no items noted for referral back to Committee at this time. The Service Director added that the Pension Board also received an update on the revised measures put in place as a result of new legal restrictions on an individual's right to transfer from the LGPS, this taking effect from 30th November 2021. Further information on this might helpfully be provided to a future committee meeting. The Chair agreed with this suggestion.

It was RESOLVED to note the contents of the report.

34 RISK REGISTER REVIEW

The Service Director Finance and Improvement Services presented the report and referred Members to the Risk Register attached at Appendix 1 for their consideration. The Service Director advised Members that the Pension Fund Risk Register provided an overview of the arrangements in place to manage the risk to the Fund and was presented to the quarterly meetings of the Investment and Administration Advisory Panel for review, challenge, and agreement. Following agreement of the updated Risk Register, Members were informed that it is then published on the Fund Website and the Service Director indicated that the Risk Register is also reviewed by the Pension Board, as part of its role in supporting the Fund's overall governance arrangements.

The Service Director went on to note that the Risk Register contained 38 risks, comprising 1 High Risk, 16 Medium Risks and 21 Low Risks, and this position being in line with that reported to the December 2021 Pension Fund Committee meeting. The Service Director also noted that there had been one update to a risk score and accompanying narrative, set out on page 119 and within the 'Investments' Risk Category and the risk that covers 'Financial markets being suppressed by the economic climate'. Members were informed that the risk description for this particular area had been updated to reflect the geopolitical instability as a result of the situation in Ukraine and the risk impact and likelihood scores had been updated accordingly, revising the overall risk score from 16, as reported to the December 2021 Pension Fund Committee, to 25.

A Member noted the update and the changing risk due to the volatile situation and agreed that the position needed to be monitored on an on-going basis.

RESOLVED: Members noted the contents of the report.

35 WALES PENSION PARTNERSHIP - UPDATE

The Principal Accountant, Treasury Management & Pension Fund provided an update and progress for Members with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC). The Principal Accountant advised that the last meeting of the JGC was held on the 1st December 2021 and 3.3 of the report contained the hyperlink to access the agenda.

The Principal Accountant then took Members through 3.4 of the report and provided further information in relation to several points, including the development of Private Market Sub-Funds via the procurement of Private Debt and Infrastructure allocators.

In terms of other key areas, it was noted that virtual training sessions continued with the next session scheduled for the 22nd March 2022, which would include Board and Committee Members, and would cover good governance and costs transparency. The Committee was also informed that the website continued to be updated with relevant news and publications.

The Principal Accountant also provided an update on the sustainable equity fund and explained that work was ongoing to set out and scope this sub fund, and had engaged with Russell Investments in this regard. The Principal Accountant added that the next JGC meeting would take place virtually, on the 23rd March 2022.

A Member referred to the Woodford case and sought reassurance in relation to Link.

The Director of Finance & Digital Services explained that assurances had been sought directly from Link and Link were cooperating with the FCA and the Regulators, noting that the process is on-going. Assurance had been given that the relationship with WPP would continue to operate as is.

The Chair noted that this was the last meeting before the Elections and thanked Members of the Committee and the Pension Board, and all Officers, for all the hard work put in.

RESOLVED: Members noted the update.

36 Urgent Business

None received.

This meeting closed at 4.05 pm

**Cllr M Norris
Chairman.**

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022-23

PENSION FUND COMMITTEE

12TH JULY 2022

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

AGENDA ITEM NO. 3

**PENSION FUND COMMITTEE
– TERMS OF REFERENCE
AND PROPOSED WORK
PROGRAMME**

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

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with details of the Committee's Terms of Reference and proposed work programme.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- 2.1.1 Note the Terms of Reference.
 - 2.1.2 Note and agree the work programme.
 - 2.1.3 Note and maintain appropriate 'skills & knowledge' as set out at paragraph 5.

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 2022

1. Terms of Reference and Work Programme
2. Learning and Development
 - Pension Fund Administration
3. Delegated Functions Report
4. Risk Register Review
5. Wales Pension Partnership – Progress Update

Meeting Date – October 2022

1. Learning and Development
 - Pension Fund Investments
2. Delegated Functions Report
3. Risk Register Review
4. Wales Pension Partnership – Progress Update

Meeting Date – December 2022

1. Learning and Development
 - Responsible Investing – to receive a presentation on Responsible Investing
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 2023*

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

* 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 SKILLS AND KNOWLEDGE

- 5.1 To obtain an understanding of governance and other aspects of the local authority pension scheme including legislation, scheme benefits, investment strategy, actuarial methods and pensions accounting it is necessary for both officers and committee members to undergo a structured assessment and training programme.
- 5.2 In an attempt to determine the right skills, CIPFA has developed a knowledge and skills framework. The framework identifies six areas of knowledge and skills as the core technical requirements for those involved in decision making. They are:
- Pensions legislative and governance context;
 - Pensions accounting and auditing standards;
 - Financial services procurement and relationship management;
 - Investment performance and risk management;
 - Financial markets and products knowledge; and
 - Actuarial methods, standards and practices.
- 5.3 Committee Members should develop a general awareness across these areas. General awareness is defined as “able to demonstrate a familiarity with the key issues of the subject area, and a working knowledge and understanding of the application of these issues to the responsibilities of a trustee”.
- 5.4 Initial induction has already been provided and a structured programme of learning and development is included in the initial work programme for the Committee as set out above. This will be supplemented by the LGA Pension Fund Fundamentals Course (3 days), places for which have been reserved for all new Committee Members.

6.0 CONCLUSION

- 6.1 This report sets out, for the Committee, the proposed work programme through to March 2023.

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022-23

PENSION FUND COMMITTEE
12th JULY 2022

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

AGENDA ITEM NO. 5
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 30th June 2022.

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 2022.
- 4.2 During the quarter ended 31st March 2022, the overall value of the Fund decreased from £4,819 million to £4,510 million.

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

Total Portfolio

	2019			2020				2021				2022	3yr
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Fund	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	1.6	5.4	0.3	1.6	-6.5	9.4
B'mark	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	1.1	5.1	0.7	4.2	-3.2	8.3
Relative	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	0.5	0.3	-0.4	-2.6	-3.3	1.1

- 4.4 As shown, the rolling 3-year performance of the Fund is 9.4% positive as compared to benchmark of 8.3%. For the last quarter (i.e. quarter 1), Global Opportunities high alpha equity portfolio, UK Credit, CBRE property, BlackRock Passive Equity and BlackRock Passive UK Gilt all outperformed their benchmarks; Baillie Gifford traditional equity portfolio and the Global Growth high alpha equity portfolio underperformed their benchmarks. Baillie Gifford traditional equity portfolio (global core) outperformed their rolling 3-year benchmark achieving a return of 11.4% against a benchmark of 9.1%.
- 4.5 The March 2022 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, CBRE, the fund of fund property manager 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.
- 4.6 The asset allocation of the Fund by fund manager and mandate as at 31st March 2022 (which includes cash) is shown in the table below.

Baillie Gifford Traditional	Global Equities	19%
Link – Global Opportunities Fund	Global High Alpha Equities	9%
Link – Global Growth Fund	Global High Alpha Equities	34%
Link – UK Credit Fund	UK Credit	13%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	12%
CBRE	UK Property	7%
Internal	Cash	1%

- 4.7 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	68%	64%	59%	54%
Infrastructure	0	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	11%	12%	12%	12%
Corporate Bonds (UK)	13%	15%	15%	15%
Cash	1%	2%	2%	2%
Absolute Return (10 years pa)		5.3%	5.5%	5.6%
Volatility (10 years pa)		13.3%	12.7%	12.3%

- 4.8 With regard to infrastructure, the approach is for the Fund to invest over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years).
- 4.9 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 transferred to UK corporate bonds.
- 4.10 The Pension Fund is progressing the investment into Blackrock GIS 4 Infrastructure Fund. The first capital contribution notice was called 24th January for €15.0 mill.
- 4.11 The compilation of the Pension Fund draft Statement of Accounts for 2021/22 is nearing completion with the external audit process to then follow. A copy of the certified draft Statement of Accounts will also be provided to Committee Members, when completed.

5.0 ADMINISTRATION UPDATE

- 5.1 The Pensions Regulator (TPR) has published [new guidance](#) for trustees on ensuring compliance with the requirements for Pensions Dashboards and the accompanying [press release](#) emphasises that schemes should be taking action now and that TPR will “take a dim view of trustees who carelessly fail to prioritise their dashboard responsibilities”.
- 5.2 As noted in the March 2022 Committee, the Normal Minimum Pension Age (NMPA) will increase to 57 from 6th April 2028. LGPS rules do not automatically link to NMPA and currently refer to age 55. Members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 prior to the 4th November 2021, may have a protected pension age. However, a protected pension age will only affect the age at which a LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. It is currently not yet

known if the Department of Levelling Up, Housing and Communities (DLUHC) intend to amend the LGPS to introduce protected pension age.

- 5.3 On 12th May 2022, DLUHC published statutory guidance on special severance payments and Best Value authorities in England must have regard to the guidance in circumstances in which it may be appropriate to make special severance payments. The guidance also covers approval, disclosure and reporting requirements. For Members information, the guidance does not apply to authorities in Wales.
- 5.4 Further to the annual review of the Fund's Governance documents being approved at the joint meeting of the Pension Fund Committee and Pension Board in March 2022, the documents were subsequently updated to the Fund's website.
- 5.5 The Scheme Advisory Board no longer require scheme 'death statistics', however the Fund will continue to collate up to the Valuation date. The Fund's statistics are shown in the table below:

Comparison of Number of Fund Deaths

Month	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
January	94	83	61	-
February	37	98	52	-
March	82	64	60	-
April	50	50	129	39
May	55	41	66	51
June		35	66	46
July		41	65	43
August		39	38	46
September		56	54	55
October		48	59	84
November		62	66	61
December		56	55	43

- 5.6 Planning for the 2022 valuation exercise is continuing: Terms of Reference and a timetable have been agreed and key assumptions and the valuation data quality exercise are progressing as planned. In parallel, Accounting Disclosure work for employers with year-end of 31st March has been completed.
- 5.7 The Fund's Communication Forum is scheduled to meet during July 2022 and will focus on preparatory work for the Valuation and McCloud and also a proposed targeted survey of membership experience.
- 5.8 A McCloud Working Group has been set up and good progress is being made on data collection, with dialogue on-going with employers, and the Fund's software

provider has created a report to aid with identifying the number of potential members affected and extract the relevant data.

- 5.9 A Life Certification exercise is underway, to provide assurance on the details / status of Members that live abroad, and officers from the Pension Service are currently working the Council's Information Management team around the due diligence requirements.
- 5.10 The Fund's Pensioners have been notified through the annual newsletter of the annual pension increase of 3.1%, effective from April 2022 to pensions in payment and deferred pensions.
- 5.11 Member Self-Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at June 2022).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	24,517	10,956	44.68%	44.56%
Deferred	29,071	9,782	33.65%	32.81%
Pensioners	18,279	4,972	27.20%	25.76%
Dependants	2,905	163	5.61%	5.38%

- 5.12 As previously reported the Fund, the Scheme Advisory Board and the LGA continue to monitor the performance of its Additional Voluntary Contributions partner. As at June 2022, the Fund is experiencing improvements in turnaround times as the provider's resolution action plan takes effect and performance will continue to be monitored by the Scheme Advisory Board and locally by the Fund.
- 5.13 The Service's eight 'Key Performance Service Standards' are regularly monitored by the Panel and Pension Board. In general, performance and service volumes remain positive, however the more complex activities are proving a challenge to deliver within target, as focus on team development continues.
- 5.14 Two third party Employers have applied and been approved for admission to the RCT Pension Fund.
- 5.15 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 30th May 2022. There were no items noted for referral back to Committee. At the May 2022 meeting the Pension Board proposed updates to the Pension Fund Risk Register that have subsequently been incorporated into the Register.

- 6.2 The next Pension Board meeting will be held on a hybrid basis and is scheduled to take place on the 11th July 2022.
- 6.3 Pension Board Members have continued to support their skills and knowledge requirement, through their attendance at relevant 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 1 is the latest LAPFF quarterly engagement report for the period January to March 2022

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.

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**Quarterly
Engagement
Report**

January-March
2022



**Ukraine, UK
Endorsement
Board, Mining
& Human Rights,
AstraZeneca,
Chipotle**



LAPFF Statement on Ukraine

LAPFF has expressed its profound sadness and solidarity with the people of Ukraine following the Russian invasion. On top of humanitarian and human rights concerns, the war is raising the prospect that Russia and Russian companies have become virtually uninvestable. LAPFF's approach to responsible investment and environmental, social, and governance (ESG) impacts is being put to the test as never before.

From a governance perspective, it is clear that the Russian government is incapable of ensuring a legal framework that respects the rule of law, destabilising incentives for Russian companies to operate in a certain, sustainable environment. The companies themselves face increasing sanctions, including a ban on the importation of Russian oil into the US. Foreign companies likewise face sanctions on investing in Russia and Belarus and challenges in determining when and how to withdraw from Russia. These challenges seem unlikely

to be resolved, even with an end to hostilities.

From an environmental perspective, the invasion of Ukraine has highlighted the problem with the world's reliance on fossil fuels. It is clear that an orderly fair and just transition to renewables, as quickly as possible, is critical not only for environmental, social, and financial reasons, but also for global security.

From a social perspective, as Russia is increasingly shut off from the rest of the world, both through sanctions and through the level of outrage expressed globally at the Russian invasion, it is expected that Russian firms will face increasing difficulties in operating effectively and in securing staff. It is also foreseeable that to the extent foreign companies are able to maintain their operations in Russia, notwithstanding sanctions, these companies will face increased social challenges, including maintaining staff levels and morale. This is apart from the reputational hit to any company associated with Russia due to humanitarian and

human rights abuses committed in the course of the war.

Alongside these unsettling developments, the proposed Jenrick Amendment poses an additional risk of uncertainty to LGPS investment opportunities in Russia. The war in Ukraine highlights concerns for responsible investors – and others – that the proposed amendment will create confusion for investors about how to undertake responsible investment in relation to ESG issues. This confusion pertains both to Russia and more broadly.

Other systemic contextual challenges include what we hope is the transition from Covid being pandemic to its being endemic sometime soon and an ever-shortening time frame to mitigate and adapt to the climate catastrophe.

LAPFF has sought to use its financial clout to improve the world for over 30 years now. This work cannot take place in isolation and will not always be successful, but we have learned that persistence, consistency, and determination do lead to positive outcomes.

COMPANY ENGAGEMENTS

UK Endorsement Board (IFRS17)

Objective: The UKEB is the new body to approve international accounting standards (IFRS) for use in the UK, post-Brexit. The prior arrangement under the EU had led to unsatisfactory outcomes, essentially due to Big 4 capture of the endorsement process obfuscating the law. The position regarding UK law should be clearer. The objective therefore is to ensure that the UKEB follows the law (UK law follows the drivers of going concern, in both the numbers and internal control). The international model under the auspices of the Big 4 incorporates defensive assertions that are contrary to UK law.

A problem is the composition of the UKEB, which contains people carried over from the prior FRC Accounting Standards Board's approval of IFRS, including Big 4 defence and lobbying interests. There is

no credible asset owner representation. The first standard up for endorsement is IFRS 17 and there are public concerns that the UKEB has pre-decided the outcome and that endorsement processes are a rubber-stamping exercise. The defects in IFRS are well known to LAPFF in the context of banking collapses, the insolvency of Carillion and the incidence of frauds, such as Patisserie Valerie. A recurring theme is dressing up the lack of prudence as a virtue, when the outcomes are numbers more flattering to the wishes of management.

Achieved: Baroness Bowles has tabled over a dozen Parliamentary Questions dealing with the governance of the UKEB, as technical matters. As also covered in the Times, her questions have included extracts from emails a journalist

obtained. They stated that the member of the UKEB, a solicitor, had sought to use a barrister with an acknowledged conflict to act "behind the scenes". The LAPFF Chair wrote to the Chief Executive of the Financial Reporting Council which has responsibility for oversight of the UKEB. As a result of that letter a meeting of the LAPFF chair was held with the civil servant responsible for the UKEB and FRC.

In Progress: The discussions with BEIS are likely to continue. The core issue is simple. The accounting and auditing framework is there for shareholder and creditor protection, and auditor liability settles on that basis, but the IFRS model doesn't fit that model. The problem is that the IFRS model lacks the crucial ingredients to determine whether a company is a going concern or not.

Shell

Objective: Further to LAPFF's position on Shell, which is one of scepticism about Shell's climate change plans, the Forum has sought improvement in the plan and its delivery against targets. Shell does not have a 1.5°C plan, which would require both time dependent actions and a carbon budget (the total future emissions over time). Shell instead has vague aspirations of 'net zero' by 2050 which doesn't cover the necessary emissions reductions prior to 2050, and which is: i) dependent on customers, and ii) relies on vague offsets, such as Carbon Capture and Storage (CCS) and trees.

Achieved: A joint meeting with CA100+ members and the CEO of Shell was held in March 2021, which was the first meeting after the decision of the Dutch Court in May 2021 which also concluded that Shell's plans were not adequate. There was no discernable shift in either the strategy or the path to limiting global warming to 1.5°C. But there now appears to be more scepticism in line with the LAPFF position from asset managers and owners that had previously been supportive of the Shell plans in 2021.

In Progress: The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatile price (as opposed to cost) of oil and gas. These matters will be built into future LAPFF engagements. High fossil fuel costs also make already unviable CCS-type projects even less viable.



Total

Objective: LAPFF noted during the quarter that Total decided to divest from Myanmar after a presence in the country of around thirty years. This decision was taken just before the war in Ukraine began, and Total has subsequently been criticised by Greenpeace and Friends of the Earth for its position on Russia. Therefore, LAPFF was interested to understand how Total had taken its decisions in relation to the two challenging situations.

Achieved: Total's representative helpfully set out a detailed account of the company's decision to withdraw from Myanmar and the set of challenges the company faced in relation to Russia and Ukraine. The specific complications related to geopolitics and balancing human rights considerations with legal and financial obligations was very clear. Whatever view one takes on the conduct of companies in this position, they are at the crux of the tensions and decision-making in a practical way that most societal actors are not. This position poses both risks and opportunities for the companies involved, and has significant implications for investors, civil society, and the environment.

COMPANY ENGAGEMENTS

In Progress: It was agreed that LAPFF would engage further on this complicated topic.

BHP

Objective: BHP offered to arrange a meeting for LAPFF with the Renova Foundation to discuss how to progress the remaining houses to be built after the Samarco tailings dam collapse at Mariana, Brazil in 2015. Both BHP and Renova representatives joined the call.

Achieved: LAPFF had been concerned at the lack of progress regarding the housebuilding with only three houses (to a total of 10) being built during 2021. However, by the time the meeting had taken place, 47 houses had been built. LAPFF Chair, Cllr Doug McMurdo, made clear that even this improved progress was inadequate. However, the improvement was welcomed.

In Progress: There continues to be political and operational obstacles to making progress with the housebuilding. For example, obtaining permits for the houses is clearly an issue. Affected communities are also concerned that a programme to provide those still waiting for homes with existing houses rather than having to wait for new ones is a cop out by the companies and Renova. In contrast, the companies and Renova are saying that the community members who have taken up this offer have been pleased to do so. Therefore, all sides have a lot of work to do, and LAPFF will continue to engage the companies, Renova, and the affected communities to have everyone's needs met as soon as possible.

Freeport McMoran

Objective: Having met with a number of other mining companies, and extensively with BHP and Rio Tinto in relation to the Resolution Copper project in Arizona, LAPFF was keen to meet with Freeport McMoran, a mining company headquartered in Arizona. The aim was to better understand Freeport McMoran's approach to engaging with affected communities.

Achieved: As LAPFF had not met with the company before, the meeting was introductory to a large extent. However,

LAPFF was pleased that within the first 15 minutes of the conversation, the topic of free, prior and informed consent was raised in the context of how important relationships with Indigenous communities are. Given LAPFF's mining and human rights report and the fact that Freeport has faced recent accusations of problems in community relations at its Emma B operations in New Mexico, it was helpful to hear the company's approach to community engagement. There was also a discussion about corporate governance in light of a number of recent board changes.

In Progress: LAPFF is keen to engage further with Freeport McMoran on its approach to community engagement and to build an engagement relationship similar to those it has established with other major mining companies.

Rio Tinto

Objective: Rio Tinto reached out to LAPFF to offer a meeting with the company's Chief Financial Officer, Peter Cunningham. LAPFF met with Mr. Cunningham last year when he was still interim CFO and was pleased to re-connect now that he has been permanently in office for nearly a year. LAPFF's aim was to assess the extent to which Rio Tinto is accounting for social and environmental factors in its financial considerations.

Achieved: This meeting came not long after Rio Tinto bravely released publicly an independent investigation into the company's workplace culture. The findings were not flattering. However, it is encouraging to LAPFF that Rio Tinto has

started to be more open about its social and environmental shortcomings as it is believed this openness will ultimately build a company that is financially resilient.

Sadly, the conversation turned to whether Rio Tinto has operations in Russia and Belarus as the war in Ukraine had just begun at the time of the meeting. Rio Tinto appears to be fairly resilient on this front, though it was noted that depending on how wide an impact the war ends up having, the company could be impacted indirectly.

LAPFF also heard about Rio Tinto's plans to hold a say on climate vote at the company's AGM, which will be held in person for the first time since the Covid pandemic began. After engaging with other company representatives, investors, and NGO commentators on the plan, LAPFF decided to advise members to oppose it on the basis that an appropriate timeframe for Scope 3 emissions reductions and a just transition were not adequately addressed in the transition plan.

In Progress: LAPFF considers that Rio Tinto has made good progress on practices to address carbon emissions, including engaging with business customers on technologies to decarbonise steel and aluminum production, and on human rights practices, but the company has more work to do in both areas. Furthermore, the company can still do more to link its financial performance to these social and environmental impacts. For example, over the course of the year, Rio Tinto has seen a 69-day strike in Canada, the loss of a mining permit due to community opposition in Serbia, and



Aluminium smelter, Kitimat, British Columbia, Canada

COMPANY ENGAGEMENTS

continued operational delays in both the US and Australia, in part due to difficult community relations in both countries. Additionally, given the extent of Rio Tinto's Scope 3 emissions and the limited timeframe available to take action, LAPFF's view is that an effective energy transition can't take place without an effective fair and just transition. Therefore, it is LAPFF's view that the company still has some work to do to create a culture whereby its staff understands that social and environmental impacts are the basis for financial resilience.

Vale

Objective: Vale invited LAPFF to participate in three investor roundtables regarding the company's progress on social issues. LAPFF's goal was to understand if there has been progress on this front and if so, the extent to which there has been progress. Any progress was deemed very welcome in particular because of the findings of the LAPFF mining and human rights report which flagged a number of concerns for Vale.

Achieved: One of the concerns LAPFF has raised in its mining and human rights report is that Vale (and other companies in the industry) appear to be too focused on human rights processes and not sufficiently focused on human rights outcomes. LAPFF was therefore pleased to note with the investor roundtables that the company reached out to investors beforehand to ask what concerns they would like addressed during the meetings.

That said, some meetings have continued to consist primarily of Vale staff providing slide presentations on their work with little audience interaction or time for questions. These presentations are highly technical and rarely, if ever, mention the needs of, or interaction with, affected communities.

In Progress: There is still concern that although Vale appears to be seeing investor input better than it has before, it is not yet hearing the voices of its affected community members. In LAPFF's view, this gap creates operational, reputational, legal, and financial risks to the company and to shareholders because the company is missing an important source of

information. LAPFF will continue to work with both Vale and affected community members on this communication.

Occupied Palestinian Territories (OPT) Engagements

Objective: LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories (OPT).

Achieved: LAPFF met with two companies this quarter: Motorola, alongside representatives for LGPS Central, and Bezeq. Both meetings were somewhat introductory and a starting point to continue dialogue going forward. Bezeq is the first company LAPFF has met on this topic that operates under Israeli state law, and provided an overview of its operations and what areas it operates in. LAPFF also met with the UN Special Rapporteur on Human Rights to discuss a letter that was sent to LGPS Funds, as well as further information on company positions on the list and the process for companies being removed from it.

In Progress: LAPFF will continue to engage with a number of companies it initially engaged with – a large number of whom do not appear to have sufficient human rights due diligence processes in place, or even a human rights policy. The Forum will consider voting recommendations on these, given that the OPT is definitively a conflict zone, and such zones require enhanced human rights due diligence.

Chipotle

Objective: LAPFF has been engaging Chipotle for over two years, the primary objective being to encourage the company to undertake a full value chain water risk assessment as well as the disclosure of quantitative performance metrics and best practices for water management targeted to the areas of water stress. LAPFF argued that without this assessment, Chipotle would not be well placed to identify its total water risk exposure and prepare for water supply uncertainties associated with climate change moving forwards.

Achieved: After a period of heightened engagement with the company, LAPFF member fund Greater Manchester Pension Fund (GMPF) filed a resolution ahead of Chipotle's 2022 AGM. The proposal requested the company undertake an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk. Following discussions between LAPFF Executive member John Anzani, a GMPF representative and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made which will see significant improvement to the company's approach to managing water risk throughout its entire value chain. The specific actions being taken by the company will be disclosed to the market upon publication of its sustainability report in April, at which time LAPFF can elaborate more on the specific actions Chipotle is taking in this space. The commitments represent significant progress in the company's sustainability practices, the direct result of LAPFF's active engagement.

In Progress: Part of the agreement with the company included a commitment to continuing engagement through 2022. LAPFF will monitor the company's performance against its commitments on an ongoing basis and meet with the company to discuss progress during the year.

AstraZeneca

Objective: LAPFF Executive member, John Anzani, met with AstraZeneca Chair, Leif Johannson, to discuss the company's experience during the Covid pandemic and what learnings it has taken from this experience. There was also a question about whether AstraZeneca will change its business strategy or business model in light of its learnings.

Achieved: From the outset, Mr. Anzani expressed his thanks to AstraZeneca on behalf of LAPFF for the role the company has played in its vaccine development and rollout. In particular, it was appreciated that AstraZeneca had not sought to profit from its vaccine in the same

COMPANY ENGAGEMENTS

way that Pfizer and Moderna have and sought instead to distribute the medication as widely as possible around the world. There was a discussion around the misunderstanding of the vaccine's risks as presented in the press that arguably compromised an even more effective rollout process.

Again, the developments surrounding the war in Ukraine were discussed, which prompted a discussion about supply chain security. Interestingly, the last time LAPFF met with Mr. Johansson, there was a similar discussion about supply chain security stemming from the impending impact of Brexit. The importance of diversity and inclusion in all aspects of the company's operations was also discussed.

In Progress: AstraZeneca faced significant operational problems as a result of the media reporting around the blood clots said to be associated with the company's Covid vaccine. It is hoped that the company will be able to reflect on this challenge over time to ensure that it can help as many people as possible and push back on any unwarranted reputational concerns in future.

LyondellBasell

Objective: LyondellBasell is a chemicals company listed in the Netherlands. Following a call with company representatives at the end of 2021, as part of engagement with the CA100+ investor collaborative group, a meeting was sought with the chair, Jacques Aigrain, to discuss the company's climate transition plan and further progress to be made on setting targets for Scope 3 carbon emission reductions.

Achieved: At the meeting, Mr Aigrain was probed on the greatest challenges the company faces in moving to net zero. LAPFF asked for more detail around company plans for electrification using renewables and green hydrogen or green methanol technology and what lessons were being taken from other sectors to bring forward their implementation. Mr Aigrain agreed it had to be progressed through partnerships and gave the example of partnering with a utility to eliminate its use of coal in Germany.

In Progress: Subsequent correspondence with the chair set out various areas of investor expectations discussed during the meeting including on decarbonisation pathways, exploring partnerships to further technological advances, further disclosure on climate-related capex, accounting and auditing, and lobbying and policy stances. A further meeting is proposed after the company has issued its sustainability report later in 2022.

ArcelorMittal

Objective: In a meeting at the end of 2021, LAPFF and the other lead CA100+ investors sought publication of a more granular report on lobbying with a trade association overview. Further correspondence in early January promoted engagement with InfluenceMap, whose assessment feeds into the CA100+ benchmarking process.

Achieved: In January 2022, ArcelorMittal issued a new Climate Advocacy Alignment Report. Continued engagement on lobbying disclosure and the shortly to be released new CA100+ benchmark results have helped the company, a year and a half on from their first 'lobbying' report, to update and improve it. In particular there is now disclosure on the action the company will take where misalignment is found between climate policy positions taken by membership associations, and ArcelorMittal's own policy priorities and the Paris agreement. Potential escalation measures include direct communication requesting further alignment with company policy priorities and the Paris agreement, ensuring ArcelorMittal's financial contribution is ringfenced for non-lobbying activities (e.g. towards standard setting only) and ArcelorMittal ceasing membership of the respective association.

In Progress: In January, as part of further collaborative engagement, a letter was sent to Karen Ovelmen, the audit committee chair, commending improvements in ArcelorMittal's accounting disclosure for Paris-aligned accounts, pressing for further relevant disclosure and seeking a meeting. The letter was copied to all audit committee members as well as the lead partner of the audit firm, Deloitte.



London, 2021. Rally calling for the end of Uyghur genocide in China

Uyghur Engagements

Objective: The Uyghurs, a Turkic ethnic group native to Xinjiang in China, and other Muslim groups in the region, have reportedly been detained against their will for a number of years. There have been instances of evidence of Uyghurs being used for forced labour in the region, amongst other accusations of human rights violations. A large number of companies have been instigated in having instances of Uyghur forced labour in their supply chains, most notably by the Australian Strategic Policy Institute (ASPI) in February 2020. LAPFF initially reached out to eight companies to discuss supply chain due diligence and to ascertain whether these companies had found instances of Uyghur forced labour in their supply chain.

Achieved: To date, LAPFF has met with two of the eight companies, Dell and Cisco, and has had correspondence on the matter with a further two. Tesco has agreed to a meeting in May 2022, shortly after publishing the annual report and sustainability materials, whilst Microsoft also provided further details. Both Dell and Cisco provided similar responses during the meeting, noting that they had not found any instances of Uyghur forced labour in their due diligence processes. Both companies are members of the Responsible Business Alliance and conduct audits with its assistance. Given the complexity of technological supply chains, it was unclear how far down the audit process went for either company. Both Dell and Cisco appeared to take on board feedback from LAPFF, encouraging for better transparency around reporting, particularly on the topics of modern slavery, grievance mechanisms on whistleblowing, and more examples of precisely what serious findings they find in their audits, and how they remedy this.

COMPANY ENGAGEMENTS

In Progress: LAPFF has joined around 60 investors in a working group, coordinated by the Investor Alliance for Human Rights. This provides the opportunity to collaborate going forward and corroborate notes and engagement strategies with a host of other investors. LAPFF will be seeking meetings with those companies that have yet to respond, alongside Microsoft who provided further detail.

VOTING ALERTS

Apple

LAPFF issued a voting alert at Apple. The voting alert focused on shareholder proposals on human rights. The alert recommended that members vote in favour of improved transparency reporting on the removal of apps following concerns about freedom expression in China, reporting on policies and procedures to protect against forced labour, and undertaking a civil rights audit. The alert also recommended supporting shareholder proposals for clearer reporting on gender and ethnic pay gaps and assessing risks of workplace concealment clauses.

Rio Tinto

As mentioned above, LAPFF issued a voting alert for Rio Tinto. The alert recommended that LAPFF members oppose the annual report, the remuneration report implementation, the re-election of Megan Clark, and the company's climate action plan. There was a recommendation to abstain on the remuneration report. The recommendation to oppose the annual report was based on concerns that Rio Tinto had not adequately reported the risk of community relations considerations at its Resolution Copper joint venture in Arizona, had not adequately set out a just transition strategy, and had not adequately considered whether the company's auditors were taking account of climate risk in appointing the auditors.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE INVESTOR MEETINGS

Say on Climate

Over the quarter, more responses have been received in response to joint correspondence with TCI and Sarasin late last year to FTSE companies. This asked companies to provide shareholders with the opportunity to support disclosure of greenhouse gas emissions and reduction plans by putting an appropriate resolution on their 2022 AGM agenda. Recent responses that show progress on addressing emission reductions have included Halma and GlaxoSmithkline, but most positive was the response from the London Stock Exchange chair, who has put a resolution on the company's 2022 AGM ballot.

Asia Collaborative Engagement Platform for Energy Transition

LAPFF continues to meet with other investors in progressing collaborative engagement on climate and energy transition with banks and power generation companies in Asia, organised and informed by Asia Research and Engagement (ARE). Assessments have been undertaken on decarbonisation policies and practices of 26 power companies in the region and shared with the companies. LAPFF has provided commentary on ARE's review of 32 banks in the region which will be issued as a publicly available report at the end of March.

Institutional Investor Group on Climate Change (IIGCC)

Participation in this weekly investor round-up provides updates on potential 2022 Say on Climate/transition plan resolutions to European companies. These plans are mapped against the Climate Action (CA100+) benchmarks, providing a measure of progress in the energy transition. There is also a focus on company lobbying, accounting, and auditor votes. Investors can 'flag' voting intentions at these companies, as well as any of the global companies covered by CA100+.

Investor Alliance on Human Rights (IAHR)

LAPFF joined the IAHR this quarter to connect to investors globally who are engaging with companies on human rights issues. IAHR has working groups on Uyghur labour in Xinjiang, Myanmar,

and the technology sector. LAPFF will participate in all of these groups. The IAHR is also a way for LAPFF to roll out its new human rights strategy, which covers these areas and stresses the need for collaborative engagement.

SHARE

Another organisation that has been working on a range of human rights issues is SHARE, an investor organisation in Canada focusing on environmental, social, and governance issues. LAPFF spoke with SHARE's human rights coordinator about collaborating on engagements, where possible. There appears to be significant overlap in engagements with SHARE also working on Uyghur forced labour, a fair and just transition, and tailings dams, among other issues.

PRI

LAPFF met with PRI this quarter to discuss the PRI's nascent engagement on human rights. As the initiative is not yet officially underway, it is not clear what role LAPFF will play. However, LAPFF will continue to liaise with PRI and others in the group to ensure that the respective work is complementary as both organisations increase their work in this area.

UNI Global

LAPFF met with UNI Global to discuss the global union's new initiative on social protection. There is now a binding document on social protection included in the wake of the Rana Plaza factory collapse and the subsequent Bangladesh Accord on fire safety. UNI Global is seeking to engage investors on social protection on the back of this new global agreement.

COLLABORATIVE INVESTOR INITIATIVES

US Securities and Exchange Commission (SEC) on climate disclosure

LAPFF joined other investors in writing to the SEC referencing its upcoming Climate Disclosure Rulemaking. Co-ordinated by the US 'As You Sow' organisation, correspondence underscored the importance of requiring verified Scope 1 through 3 value chain carbon emissions-reporting with an emphasis on Scope 3 verified reporting.

COLLABORATIVE ENGAGEMENTS

Letter to French auditors on climate risk

LAPFF supported a collaborative letter to French auditors EY, PwC, KPMG and Deloitte, asking about disclosure on material climate-related risks. It raised the concern that if material climate risks are not properly examined, there may be questions over the reliability of auditor's opinions that these accounts meet the true and fair view standard as required under European Company Law.

Amazon and Starbucks Freedom of Association Letters

After signing onto an initial collaborative letter to Amazon seeking improved practices on freedom of association and collective bargaining at the company's facility in Bessemer, Alabama, LAPFF signed a follow up letter on this topic. LAPFF signed a similar letter this quarter to Starbucks after reports of anti-union conduct by the company.

Kellogg

LAPFF, alongside Mercy Investment Services and PIMCO, joined a collaborative effort under the Access to Nutrition Index (ATNI) in engaging with Kellogg on a number of issues related to nutrition. Representatives from the company were probed on the company's approach to addressing malnutrition, how it defines what is considered a healthy product and whether it intends to use a more globally recognised system, what reformulation strategies it has, how it intends to market healthy products through existing channels that it already has such as the use of value stores and whether there would be any targets around this. The Forum is looking to follow up with continued dialogue in Q2 on a number of issues not discussed in the meeting.

Sainsbury and Share Action

During the pandemic, supermarket employees have been amongst a number of key workers on the frontline, providing an essential service in serving the nation. LAPFF joined ShareAction and the Good Work investor coalition in engaging with Sainsbury around the paying of a living wage. Before the meeting had taken place, Sainsbury announced its new pay deal in January. However, the resolution being put forward by ShareAction is seeking support by the company to accredit as a Living Wage employer in

the next few years. Sainsbury's pay rise in January was a welcome step but left some gaps that the engagement seeks to address, such as discrepancies between inner and outer London living wage rates and no commitment relating to any of its third-party staff. LAPFF raised questions of Union negotiation, as the company consults with Union, and Argos has a collective bargaining agreement with Unite. The wider workforce does not have such an agreement, whereas a number of the company's peers do.

Care sector – UNI Global Union

LAPFF continued its involvement in the UNI Global Union collaborative initiative on employment standards and care quality at nursing homes. The investor expectations statement now includes support from over 100 institutions with combined assets of over \$3.3 trillion. Engagement with REITs within the care sector is commencing, with LAPFF the lead investor at Welltower and a supporting investor at others.



Slamon fish farm aquaculture

FAIRR Initiative

After becoming a signatory to the FAIRR initiative in December 2021, an investor network focusing on ESG risks in the global food sector, LAPFF signed onto collaborative engagements. One looks at sustainable aquaculture, asking salmon companies to develop and disclose strategies for diversifying feed ingredients towards lower impact and more sustainable alternatives, and to implement better climate risk management. The other looks at working conditions in global meat supply chains. It seeks to address a number of human rights capital risks in the animal farming industry.

Collaborative Community Meetings

Brazilian Communities & British Consul in Brazil

Prior to the pandemic, LAPFF promised to visit the communities affected by the tailings dam collapses in Mariana and Brumadinho, Brazil. LAPFF intends to keep its promise to visit these communities and, in preparation, held a discussion with the British Consulate in Belo Horizonte, Brazil, to discuss timings and information necessary to proceed with the trip.

LAPFF EVENTS



Say on Climate Event

LAPFF, together with Sarasin & Partners and TCI Fund Management wrote to FTSE All Share companies in 2021, urging them to submit a Climate Transition Action Plan to each AGM for shareholder approval. Having received a significant response to this, it was decided to hold an event at which companies, investors and other interested parties could discuss how best to formulate and disclose such plans and put them to shareholders for review. In February, a range of speakers in the investor, corporate, regulatory and advisory space gathered to discuss what are likely soon to be mandatory disclosures, with lively debate ensuing.

APPG

The LAPFF-supported All-Party Parliamentary Group on Local Authority Pension Funds held a meeting in March. The meeting followed on from the launch of the APPG's report on responsible investment for a just transition, with presentations from Dr Alan Whitehead MP, Shadow Minister for Climate Change and Net Zero, and Matt Toombs, Director of Campaigns and Engagement, Cop26 Unit, Cabinet Office. Tessa Younger, Head of Engagement at PIRC, also provided an overview of the Say on Climate initiative and LAPFF's involvement with it.

Communities affected by Rio Tinto Operations

LAPFF Chair, Cllr Doug McMurdo, hosted a webinar with community members affected by Rio Tinto operations in Australia, Mongolia, and Papua New

COLLABORATIVE ENGAGEMENTS

Guinea. While there are still many areas that need progress, which Rio Tinto itself admits through its brave and helpful workplace culture report, there are also points of improvement. In general, it was felt that the culture at the executive level of the company has improved; it is hoped this improved culture will extend throughout the entire organisation. It was also noted that Rio Tinto has agreed to an independent assessment of its role at its legacy Panguna mine in Papua New Guinea. However, progress appears patchy globally with accounts from Mongolia – and through separate contact with LAPFF, Arizona - less positive.

CONSULTATIONS

UN OHCHR Accountability and Remedy Project Consultation

One area of interest as LAPFF increases its work on human rights is the growing number of legislative initiatives on

human rights and environmental due diligence (mHREDD) emerging at both the domestic and international levels. To this end, LAPFF joined a consultation held by the United Nations Office for the High Commissioner of Human Rights to discuss trends in mHREDD globally. Sessions included an overview of mHREDD initiatives, the role of courts, the role of administrative bodies, and the link between mHREDD and grievance mechanisms. This discussion is particularly relevant for LAPFF as the UK deliberates on its own mHREDD legislation. LAPFF also attended a UN Global Compact webinar on mHREDD that stressed the need to overcome the siloed approach to environmental and social issues in approaches to legislating for due diligence. This observation fits well with LAPFF's approach to engaging on a fair and just transition to a zero carbon economy.

MEDIA COVERAGE

DAM COLLAPSE

UK local govt pension scheme “dismayed” at lack of action over Brazil dam collapses
<https://www.mining.com/web/uk-local-govt-pension-scheme-dismayed-at-lack-of-action-over-brazil-dam-collapses/>
 The ESG Interview: Learn from the Past, Look to the Future
 The ESG Interview: Learn from the Past, Look to the Future - ESG Investor

UK ENDORSEMENT BOARD

Standards board ‘looks like a cabal’
<https://www.thetimes.co.uk/article/standards-board-looks-like-a-cabal-hks5ch38b>

ISRAEL PALESTINE

LGPS seeks UN clarity on investment comments
<https://www.pensions-expert.com/DB-Derisking/LGPS-seeks-UN-clarity-on-Israel-investment-comments>

UKRAINE

Lessons from Ukraine: are defence exclusions ‘responsible’?
<https://www.room151.co.uk/blogs/lessons-from-ukraine-are-defence-exclusions-responsible/>

CHAIR'S QUOTE

“I had hoped, with the promising trajectory of the Omicron variant, that 2022 would be a year of more positive developments. However, we now find ourselves with the prospect of another world war and less certain than ever about how to act on ESG issues as investors due to recent government initiatives in the UK. In this context, LAPFF's work takes on even greater significance as investors must step up to respect human rights, the environment, and good governance where governments and other actors fail to do so.”



COMPANY PROGRESS REPORT

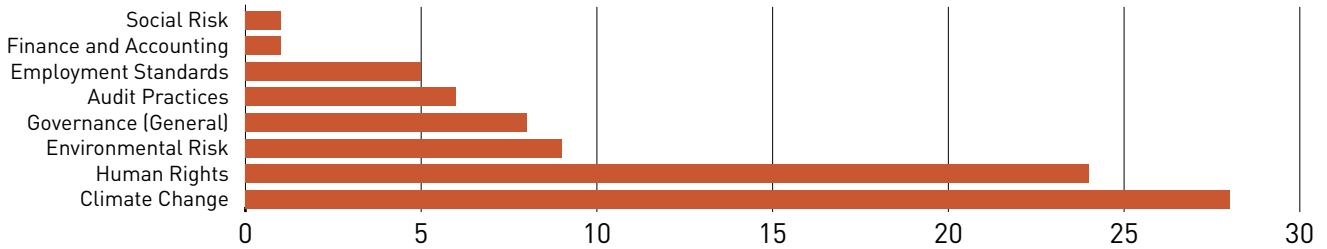
50 Companies engaged over the quarter

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

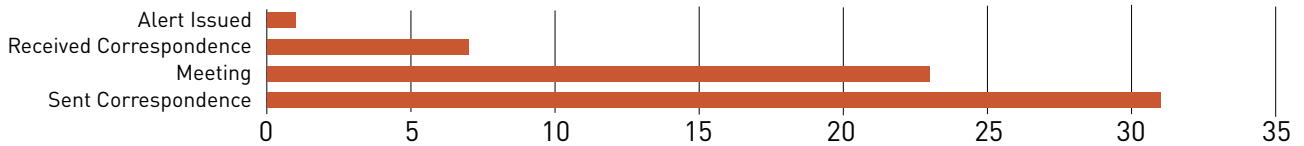
Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Change in Process
ALSTOM SA	Meeting	Human Rights	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Sent Correspondence	Climate Change	Change in Process
APPLE INC	Alert Issued	Human Rights	Dialogue
ARCELORMITTAL SA	Received Correspondence	Climate Change	Substantial Improvement
ASTRAZENECA PLC	Meeting	Governance (General)	Dialogue
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Meeting	Human Rights	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	No Improvement
BP PLC	Meeting	Climate Change	Change in Process
BRF - BRASIL FOODS SA	Sent Correspondence	Human Rights	Awaiting Response
CHEVRON CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
CISCO SYSTEMS INC.	Meeting	Human Rights	Dialogue
CK HUTCHISON HOLDINGS LTD	Meeting	Environmental Risk	Awaiting Response
CRANSWICK PLC	Sent Correspondence	Human Rights	Awaiting Response
CRH PLC	Received Correspondence	Climate Change	Change in Process
DBS BANK LTD	AGM	Climate Change	Small Improvement
DBS GROUP HOLDINGS LTD	AGM	Climate Change	Substantial Improvement
DELL TECHNOLOGIES	Meeting	Audit Practices	Dialogue
FREEPORT-MCMORAN INC.	Meeting	Governance (General)	Change in Process
GLAXOSMITHKLINE PLC	Received Correspondence	Climate Change	Moderate Improvement
HALMA PLC	Meeting	Finance and Accounting	Small Improvement
HALMA PLC	Received Correspondence	Climate Change	Moderate Improvement
INTERCONTINENTAL HOTELS GROUP PLC	Received Correspondence	Climate Change	Moderate Improvement
KELLOGG COMPANY	Meeting	Social Risk	Small Improvement
LEROY SEAFOOD GROUP ASA	Sent Correspondence	Environmental Risk	Awaiting Response
LONDON STOCK EXCHANGE GROUP PLC	Received Correspondence	Climate Change	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Meeting	Climate Change	Change in Process
MARFRIG GLOBAL FOODS S.A	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Dialogue
MOWI ASA	Sent Correspondence	Environmental Risk	Awaiting Response
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXTERA ENERGY INC	Sent Correspondence	Climate Change	Moderate Improvement
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Climate Change	Small Improvement
RIO TINTO PLC	Meeting	Climate Change	Moderate Improvement
SAINSBURY (J) PLC	Meeting	Employment Standards	Moderate Improvement
SALMAR ASA	Sent Correspondence	Environmental Risk	Awaiting Response
SANDERSON FARMS INC	Sent Correspondence	Human Rights	Awaiting Response
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Human Rights	Small Improvement
TESCO PLC	Received Correspondence	Human Rights	Dialogue
THYSSENKRUPP AG	Meeting	Climate Change	Change in Process
TOTALENERGIES SE	Meeting	Human Rights	Dialogue
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Governance (General)	Dialogue
WELLTOWER INC	Sent Correspondence	Employment Standards	Awaiting Response
WH GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response

ENGAGEMENT DATA

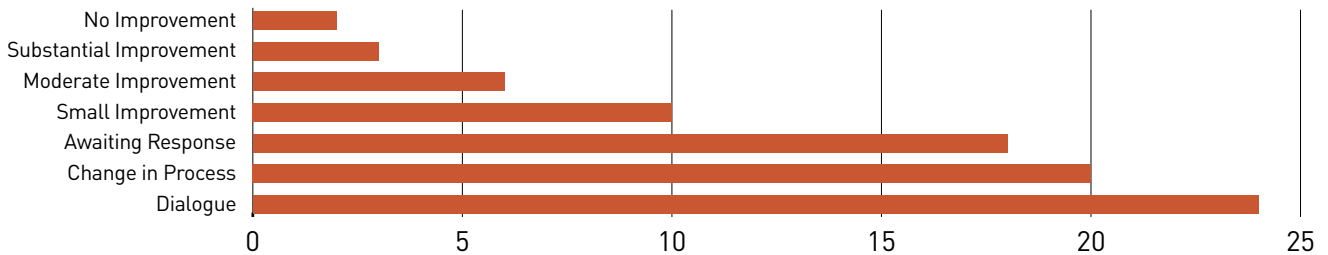
ENGAGEMENT TOPICS



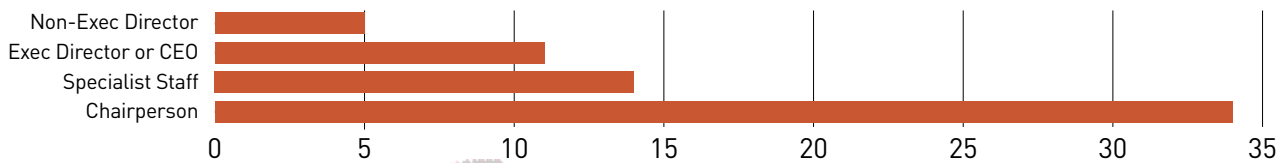
ACTIVITY



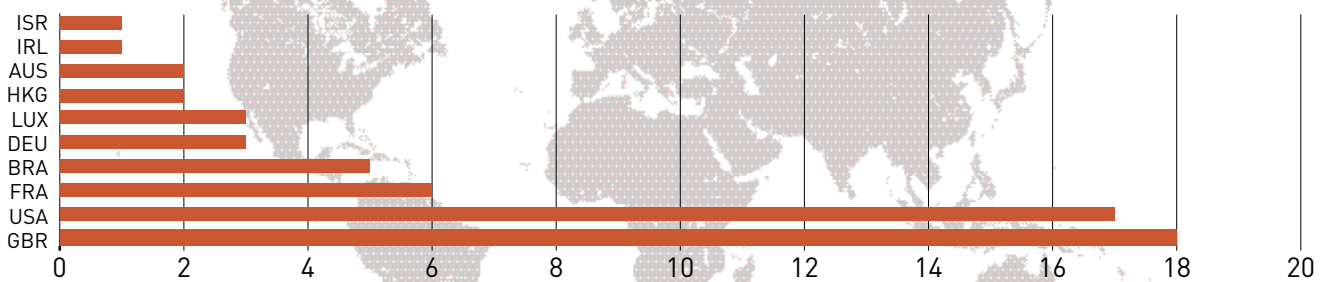
MEETING ENGAGEMENT OUTCOMES



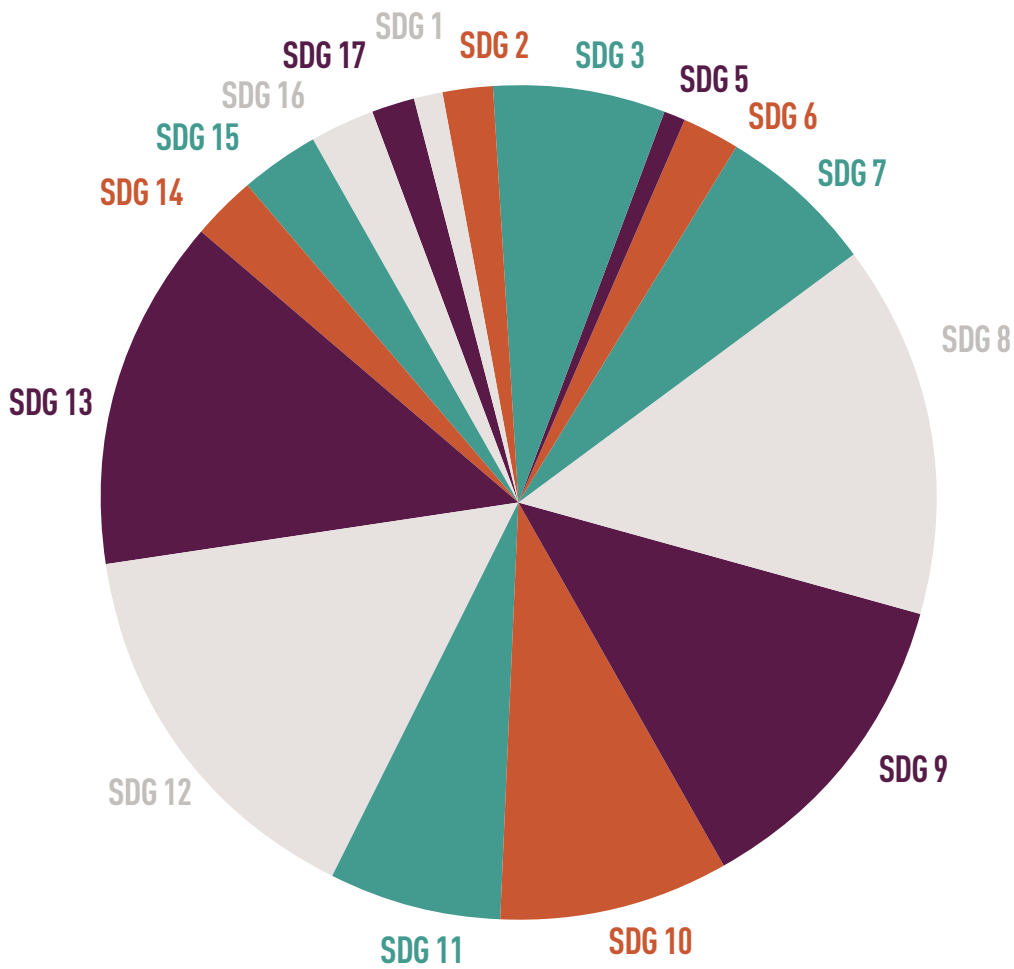
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	3
SDG 2: Zero Hunger	5
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	5
SDG 7: Affordable and Clean Energy	15
SDG 8: Decent Work and Economic Growth	35
SDG 9: Industry, Innovation, and Infrastructure	30
SDG 10: Reduced Inequalities	21
SDG 11: Sustainable Cities and Communities	16
SDG 12: Responsible Production and Consumption	37
SDG 13: Climate Action	33
SDG 14: Life Below Water	6
SDG 15: Life on Land	7
SDG 16: Peace, Justice, and Strong Institutions	6
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	4

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022-23

PENSION FUND COMMITTEE

12th JULY 2022

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

AGENDA ITEM NO. 6

PENSION FUND RISK REGISTER – RISK REGISTER OVERVIEW
--

**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. At the 30th May 2022 Pension Board meeting, the Pension Board proposed updates to the Risk Register and these have been incorporated into the latest version of the document.
- 4.5 The Risk Register, dated June 2022, 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

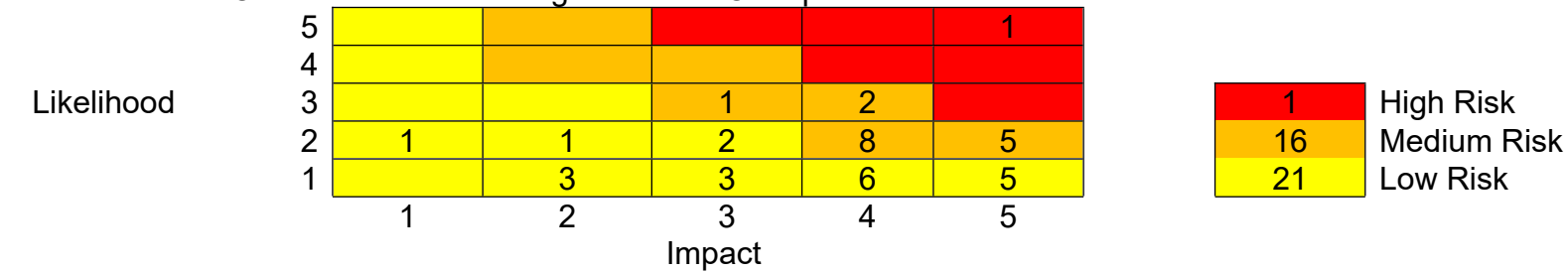
Likelihood Assessment Matrix:

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 2022 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 remedies of the McCloud case and ensuring appropriate provision is made against the Fund's liabilities. 	
	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. Regular review of the asset allocation strategy by the Committee (with advice from the Advisory Panel), covering both the fund strategy and the asset allocation. Post 2019 valuation review completed and implementation in progress. 	
	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 Geo-political instability.	5	5	25	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. 	
	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 arrangements 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. 	

	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. Investment malpractices are reported to the FCA. 	
	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 pooling arrangements by central government	5	2	10	MR	<ul style="list-style-type: none"> Joint Governance Committee (JGC) 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. Scheme Member Representative co-opted as a non voting member of the JGC meetings, feeding back to Pension Board Chairs 	Risk description amended and Scheme member attendance to JGC meetings added to control measure

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 (now Department for Levelling Up, Housing and Communities) guidance. • Benchmark against regulator on code of practice. • Submit Annual Pension Scheme Regulator Return on time. • Good governance review currently being considered by MHCLG (now Department for Levelling Up, Housing and Communities).
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 Skills 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 Governance 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 on a hybrid basis in line with the needs of the service 	Amended to reflect hybrid working
	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. 	
	Inability to implement the 'McCloud' remedies within expected timelines	5	2	10	MR	<ul style="list-style-type: none"> • Project Team established. • Investment in team resources. • Data retrospection solutions discussed and agreed through the Fund's Employer Comms Forum. • Monitor and contribute to remedy draft regulations when available. • Early engagement with Pensions Software Supplier. • Sharing best practice through the various LGPS forums. 	
	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. 	

Confidential / commercially sensitive data is leaked, stolen or misplaced	5	1	5	LR	<ul style="list-style-type: none"> The Pension Fund will clearly mark any confidential / commercially sensitive data that it shares. 	
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. Employer Engagement : Year End Data Schedules Issued / Timetable / Support Project Terms of Reference / Timetable agreed with Actuary 	Additional control measures in place to reflect progression of Triennial Valuation
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. 	

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022-23

PENSION FUND COMMITTEE

12th July 2022

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

AGENDA ITEM NO. 7

**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 2022-2025.

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 latest meeting of the JGC is scheduled to take place on the 8th July 2022. The agenda can be accessed [here](#), which was shared with all Committee (and board) members before the meeting.

3.4 At the July 2022 meeting, the Host update includes:

Work continuing to develop in a number of key areas, including:

- Completing the 2021/22 year end closure of the accounts
- New policies and policy reviews.
- Private Markets Allocator procurement process
- Officer Working Group sub-groups:
 - Private Markets sub-group.
 - Responsible Investment sub-group.
 - Risk Register sub-group.

Next Steps / Priorities:

- Development of the Private Markets Sub-Funds.
 - March 2022 to December 2022 – Private debt and Infrastructure sub funds to be developed, approved and launched.
 - 21st September 2022 – JGC to approve Private Equity Allocator appointment.
- Operator contract procurement process.
 - The existing contract comes to an end in December 2024.
 - Start discussions with Burges Salmon re the legal requirements.
 - Put a timeline in place.
- Formulate the 2021/22 Annual Update and Annual Return.
- Launch of the Active Sustainable Equity Fund.

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 2022-2025 (Appendix 1).

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 2022-2025



Contents

Introduction	3
About the Wales Pension Partnership	3
Governance	4
Risk Management	6
Objectives	7
Beliefs	8
Policies	9
Work Plan	10
Training Plan	12
Budget	13
Investments & Performance	14
Contact Details	16

Introduction

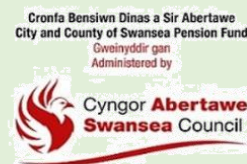
This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2022/23, 2023/24 and 2024/25. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

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:



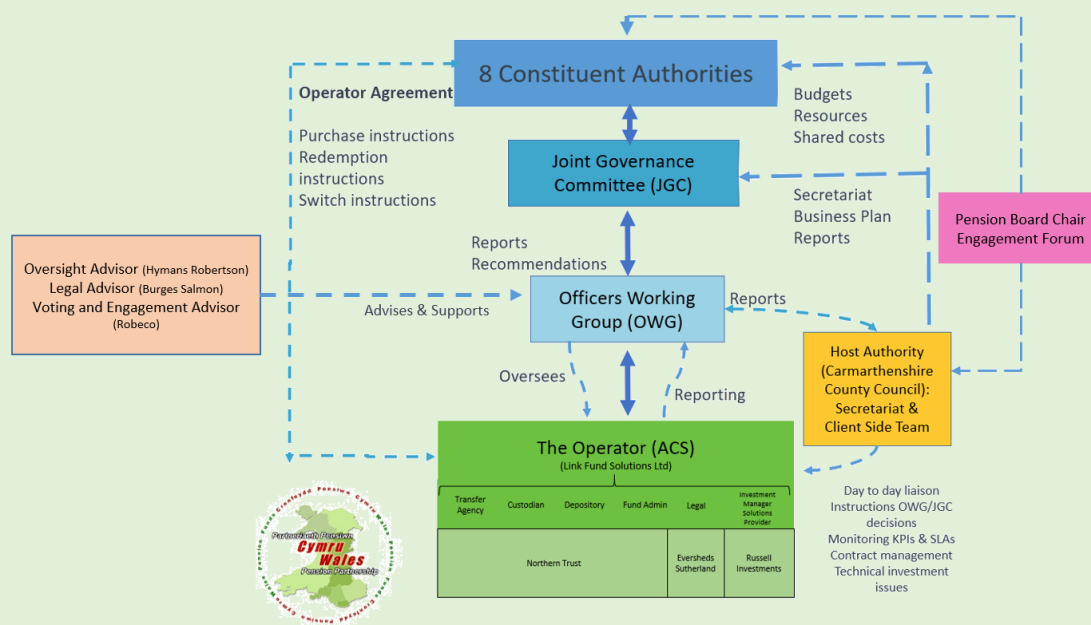
Governance

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 and Frequency:

- | | |
|---|----------------|
| • Strategic Relationship Review meeting | Bi-Annual |
| • JGC Engagement | Quarterly |
| • Manager Performance Meetings/ Calls | Quarterly |
| • Training Events | Quarterly |
| • OWG Engagement | Quarterly |
| • 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.

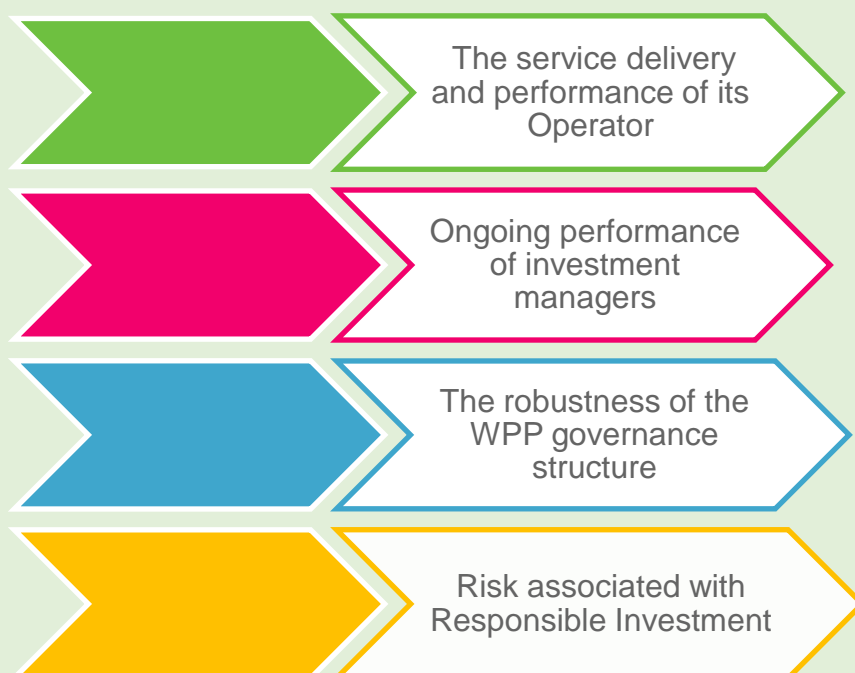
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

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:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers

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
- 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 a regular 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 shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **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 carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled 73% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **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 are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - 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. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **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 carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2022 - 2023	2023 - 2024	2024 - 2025
Governance			
Development of a WPP Whistleblowing Policy	✓		
Development of a WPP Business Continuity Plan (including Cyber)	✓		
Development of a WPP Complaints Policy	✓	✓	
Development of a WPP Breach and Errors Policy	✓	✓	
Ongoing review of Inter Authority Agreement	✓	✓	✓
Annual/biennial review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
Ongoing Sub-Fund development			
Appoint Private Market Allocators	✓	✓	
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch of Private Equity Sub-Fund	✓		

Launch Sustainable Equities Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation ahead of sub-Fund launch	✓	✓	
Review and develop a mechanism to pool any suitable non-pooled assets		✓	✓
Launch of other Private Market sub-funds (TBC)		✓	✓
Consultation with CAs on need for further sub-funds	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
Operator Services			
Operator contract / procurement process	✓	✓	✓
New Operator Contract			✓
Operator Oversight	✓	✓	✓
Investments and Reporting			
Finalise Voting & Engagement Reporting Requirements	✓		
Formulate WPP Engagement Priorities and Implementation Framework	✓	✓	
Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	✓
Task Force on Climate-related Financial Disclosures (TCFD) reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Investment Manager performance reporting, scrutiny and challenge	✓	✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual performance review of WPP Sub Funds (Equity and Fixed Income)	✓	✓	✓
On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions	✓	✓	✓
Communication and Training			
Formulation of 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	✓	✓	✓
Resources, Budget and Fees			
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 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG'). Potentially there could be a number of member changes on the individual Pension Committees following the council elections in May 2022 and this has also been a factor in setting this year's training topics.

Product Knowledge

- o Private Market Asset Classes & the role of the Allocator
- o Active Sustainable Equities

Pool Knowledge

- o Governance and Administration
- o Roles and Responsibilities

Responsible Investment

- o What RI means for the WPP
- o Stewardship Code and TFCD Reporting

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.

	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Host Authority *	191	196	200
External Advisors *	1,206	1,168	1,130
TOTAL to be recharged	1,397	1,364	1,330
Operator / Allocator Services **	33,319	36,651	40,316
TOTAL to be deducted from the NAV	33,319	36,651	40,316

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

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £21.6bn (as at 31 March 2021). 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	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT, Cardiff and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ, Nissay and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Majedie, Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets	Cardiff, Clwyd, Gwynedd and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21

Fixed Income Sub-Funds



* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Metlife, 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:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

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/>

