



CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

GWŶS I GYFARFOD O'R CYNGOR

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

Dolen gyswllt: Sarah Daniel 07385 086169

DYMA WŶS I CHI i gyfarfod o **PWYLLGOR CRONFA BENSIYNAU** yn cael ei gynnal yn **Rhithwir** on **DYDD MAWRTH, 18FED GORFFENNAF, 2023** am **2.00 PM.**

AGENDA

Tudalennau

1. DATGAN BUDDIANT

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. COFNODION

Derbyn y cofnodion o gyfarfod blaenorol Pwyllgor y Gronfa Bensiwn a gynhaliwyd ar 27 Mawrth 2023

3 - 8

3. RHAGLEN WAITH

9 - 14

4. ADRODDIAD AR SWYDDOGAETHAU DIRPRWYEDIG

- 15 - 34**
5. COFRESTR RISGIAU'R GRONFA BENSIWN - TROSOLWG O'R GOFRESTR RISGIAU
- 35 - 46**
6. PARTNERIAETH PENSIYNAU CYMRU - DIWEDDARIAD (GAN GYNNWYS CYNLLUN BUSNES PARTNERIAETH PENSIYNAU CYMRU 2021-2024)
- 47 - 64**
7. **MATERION BRYS**
- Trafod unrhyw faterion brys y mae'r Cadeirydd yn eu gweld yn briodol.

Cyfarwyddwr Gwasanaeth y Gwasanaethau Democraidd a Chyfathrebu

Cylchreliad:-

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

Y Cynghorwyr Bwrdeistref Sirol: Y Cynghorydd G Jones, Y Cynghorydd N H Morgan
and Y Cynghorydd D Wood



RHONDDA CYNON TAF COUNCIL

Minutes of the virtual meeting of the Pension Fund Committee held on Monday, 27 March 2023 at 2.00 pm.

County Borough Councillors

Councillor M Norris (Chair)

Councillor M Ashford Councillor G Jones
Councillor N H Morgan Councillor D Wood

Officers in attendance

Mr B Davies, Deputy Chief Executive and Group Director - Finance, Digital and Frontline Services
Mr P Griffiths, Service Director – Finance & Improvement Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Ms Y Keitch, Principal Accountant - Pensions and Treasury Management
Mr K Bray - Forum Officer LAPFF
Mr A Quinn - Associate Director, UK Institutional, Russell Investments
Mr T Paik - CFA Manager, Russell Investments
Mr J Zealander – Link Solutions
Mr P Ritchie – Head of Equities, Link Solutions
Mr W Pearce – Senior Portfolio Manager, Russell Investments

RCT Pension Board Members in attendance:-

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

26 WELCOME

The Chair welcomed attendees to the meeting, including a member of the public observing the meeting. Apologies for absence was received from Board Member Ms S Absalom.

27 DECLARATION OF INTEREST

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

28 MINUTES

It was **RESOLVED** to approve the minutes of the 13th December 2022 as an accurate reflection of the meeting.

29 LEARNING AND DEVELOPMENT

Members of the Committee received Mr K Bray 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.’ The presentation also covered the LAPFF Workplan; examples of LAPFF engagement results with companies, with specific reference to environmental, social and governance issues; the future outlook; and the benefits of LAPFF membership.

Members questioned the impact on investments with recent bank closures to which Mr Bray duly responded, advising that LAFPP’s work would not have a direct or material impact on the banking sector and reiterated that a key principle underpinning LAPFF’s approach is to promote responsible investing.

Members thanked My Bray for his presentation and the Committee **RESOLVED**

- i. To note the contents of the presentation.

30 EXEMPTION OF THE PRESS AND PUBLIC:

RESOLVED that the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act 1972 (as amended) for the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 14 of Part 4 of Schedule 12A of the Act.

31 LINK SOLUTIONS AND RUSSELL INVESTMENTS

Members received a presentation from representatives at Link Solutions and Russell Investments. Upon conclusion of the presentation the Committee **RESOLVED:**

- i. To note the contents of the presentation

32 ANNUAL REVIEW OF FUND GOVERNANCE AND STRATEGY DOCUMENTS

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services (Group Director) 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.

Members were referred to paragraph 4.3 within the report which provided an overview of 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 - 6.

The Chair commented on the climate change agenda and how this would impact on future investments going forward and the Chair of the Pension Board acknowledged the review opportunities provided to the Board in respect of the documents presented to Members. The Group Director acknowledged the contributions made by the Pension Board Members in this regard, and the strengthened transparency and accountability with the sharing of such documents.

Following due consideration of the Fund Governance and Strategy Documents as attached at Appendix 1 to 6, Members **RESOLVED:**

- I. To approve the documents.

DELEGATED FUNCTIONS REPORT

The Group Director 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 Group Director referred Members to the performance of the Fund detailed within 4.3 of the report, explaining that during the quarter ending 31st December 2022, the overall value of the Fund increased from £3,995 million to £4,103 million. Members were also advised that the rolling 3-year performance of the Fund was +2.8% as compared to a benchmark of +3.3%.

The Group Director continued by advising that in respect of infrastructure, the approach was 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).

The Chair took the opportunity to comment on the high percentage of Rhondda Cynon Taf Pension Fund assets allocated via the Wales Pension Partnership when compared to other asset pools.

The Service Director - Pensions, Procurement & Transactional Services continued and provided Members with an administrative update including the significant changes from the 6th April 2023 to the pension tax allowances following the announcement in the Spring Budget. Members were advised of other pension related announcements within the Spring Budget including details of the increase in the standard Annual Allowance (AA) from £40,000 to £60,000.

The Service Director also provided an update to Members on the draft consultation and regulations in respect of changing the annual revaluation date; an updated timescale for the new General Code of Practice to be published by The Pensions Regulator (TPR); the conclusion of the 2022 Triennial Valuation exercise; and the new Life Certification exercise.

The Service Director concluded his report by commenting on the work of the Pension Board and the skills and knowledge framework that is providing a structured programme of training to support Officers and Committee Members in delivering their Pension Fund responsibilities.

The Chair commented on the importance of training and the requirement to ensure good governance and the on-going development of the knowledge base of Officers and Committee Members, with this work also complimenting the transparency of the risk register.

Members of the Committee commented on the training opportunities provided and discussions ensued as to how the training could be accommodated to suit all Members needs and learning styles going forward.

In respect of a question on the impact on the Pension Fund as a result of high inflation and the 10.1% pension increase from April 2023, the Group Director indicated that the impact will be closely monitored through cashflow forecasting, this being in line with the approach taken in previous years.

Following discussion on the content of the report, the Committee **RESOLVED to:**

- I. Note the information contained within 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 the Committee's 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.

Members were advised that two new risks had been incorporated within the Register with accompanying control measures:

- Within the 'Investments' Risk Category – the risk of failure to adequately take into account climate change, climate risk and ESG factors resulting in the financial loss; and
- Within the 'Operational' risk category – the risk of inability to comply with Pension Dashboard Staging Dates and Duties.

The Chair of the Pension Board welcomed the continued review of the risk register and Members commented on the good practice in place.

The Committee **RESOLVED:**

- I. To note the arrangements in place for the management of risk within the Fund; and
- II. To note the Risk Register as outlined within (Appendix 1) of the report.

35 WALES PENSION PARTNERSHIP - UPDATE

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

Members were provided with details of the latest meeting of the JGC which took place on the 5th December 2022 and were also advised of the forthcoming JGC meeting on 29th March 2023 where a number of annual policies and papers would be reviewed.

The Officer provided Committee Members with an overview of next steps and priorities that included development of the private markets sub-funds; launch of the Sustainable Equity Fund; the operator contract procurement process; and details in respect of the public announcement on the planned sale of Link Fund Solutions. The overview was concluded with reference to WPP virtual training sessions and updates incorporated onto the WPP website.

The Chair of the Committee referenced paragraph 3.2 of the report and noted that the JGC membership also included a co-opted (non-voting) scheme member representative; Officers confirmed this would be reflected in future reports to the Committee.

Members of the Committee **RESOLVED:**

- I. To note the contents of the report.

15:45pm
Meeting Closed

Councillor M Norris
Chair.

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

PENSION FUND COMMITTEE

18TH JULY 2023

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR –
FINANCE, DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 3
PENSION FUND COMMITTEE – TERMS OF REFERENCE AND PROPOSED WORK PROGRAMME

**Author – Barrie Davies, Deputy Chief Executive and Group Director -
Finance, Digital and Frontline 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 Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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 Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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 2023

1. Terms of Reference and Work Programme
2. Delegated Functions Report
3. Risk Register Review
4. Wales Pension Partnership – Progress Update (including WWP Business Plan 2023-2026)

Meeting Date – October 2023

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

Meeting Date – December 2023

1. Learning and Development
 - LAPFF update
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 2024*

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)

* 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 An on-going programme of learning and development is in place as included in the Forward Work Programme set out above to support the effective discharge of the Committee’s Terms of Reference (noting that induction for new Committee Members via the LGA Pension Fund Fundamentals Course (3 days) is also in place and forms a key part of the overall learning and development arrangements).

6.0 **CONCLUSION**

- 6.1 This report sets out, for the Committee, the proposed work programme through to March 2024.

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

PENSION FUND COMMITTEE
18TH JULY 2023

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR –
FINANCE DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 4
DELEGATED FUNCTIONS – UPDATE REPORT

**Author – Barrie Davies, Deputy Chief Executive and Group Director – Finance,
Digital and Frontline 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 Deputy Chief Executive and Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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, His 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 29th June 2023.

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 2023.

- 4.2 During the quarter ended 31st March 2023, the overall value of the Fund increased from £4,103 million to £4,256 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

	2020			2021				2022					3yr
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Fund	16.6	3.5	9.5	1.6	5.4	0.3	1.6	-6.5	-8.9	-2.7	2.6	3.4	8.3
B'mark	12.5	1.6	6.5	1.1	5.1	0.7	4.2	-3.2	-6.8	-2.8	3.5	3.5	8.4
Relative	4.1	1.9	3.0	0.5	0.3	-0.4	-2.6	-3.3	-2.1	0.1	-0.9	-0.1	-0.1

- 4.4 As shown, the rolling 3-year performance of the Fund is 8.3% positive as compared to a benchmark of 8.4%. For the last quarter (i.e. quarter 1), Baillie Gifford Traditional Equity, Global Growth high alpha equity portfolio, UK Credit Fund, BlackRock Passive UK Equity (low carbon) and BlackRock Passive outperformed their benchmarks; Global Opportunities high alpha equity portfolio and CBRE Property under-performed their benchmarks; and BlackRock Global Infrastructure Solutions performed in line with their benchmark.
- 4.5 The 29th June 2023 Panel meeting included a review of fund managers' performance. Presentations were received from CBRE (the property fund of fund manager), Pzena (one of the managers of the WPP Global Growth Fund) and Mercer Performance Services. Mercer Performance Services are engaged 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 2023 (which includes cash), is shown in the table below.

Baillie Gifford Traditional	Global Equities	19%
Link – Global Opportunities Fund	Global High Alpha Equities	10%
Link – Global Growth Fund	Global High Alpha Equities	36%
Link – UK Credit Fund	UK Credit	12%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	10%
CBRE	UK Property	7%
Blackrock GIS 4 Solutions	Infrastructure	1%
Internal	Cash	0%

- 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	69%	64%	59%	54%
Infrastructure	1%	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	10%	12%	12%	12%
Corporate Bonds (UK)	12%	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. Capital contributions to date total £29.5 million.
- 4.11 The Pension Fund is committing £70 million to the closed ended infrastructure first vintage launched by the WPP. The Pension Fund transferred the first capital call of £4.47 million on 30th May 2023.
- 4.12 A £7 million commitment into a local impact opportunity was agreed in the form of a wind farm investment. The first drawdown of £2.25 million took place on 25th April 2023, with a further drawdown of £0.074 million taking place on 21st June 2023.

5.0 ADMINISTRATION UPDATE

- 5.1 The approved Fund's governance documents and Valuation Report have been published on the Fund's website.
- 5.2 The Pensions Regulator (TPR) was expected to publish their new General Code of Practice in mid-April 2023 that would set out proposed new governance standards for pension schemes. The publication of the General Code of Practice has subsequently been delayed, noting that further to the Code being published, Officers and the Pension Board will review the requirements against existing practices within the Rhondda Cynon Taf Pension Fund.
- 5.3 In April 2023, the Pensions Dashboards Programme (PDP) issued its seventh update looking at the programme's progress since October 2022, recognising

the complexity involved and reaffirmed that work on the programme reset plan commenced in March 2023. A Ministerial Statement from the UK Government on 8th June 2023 confirmed that legislation will be updated to set an overall connection deadline for all schemes of 31st October 2026, with the Department for Work and Pensions to collaborate with the Pensions industry this year prior to publishing guidance setting out individual connection deadlines for schemes, these being before 31st October 2026.

- 5.4 HM Revenue & Customs (HMRC) has published for consultation the draft Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No 2) Regulations 2023, which outline changes to how pensions tax rules will apply as a result of the public service pensions remedy (McCloud). The consultation closed on the 19th June 2023.
- 5.5 The Department for Levelling Up, Housing and Communities (DLUHC) has issued its response to the 2020 consultation on Amendments to the Local Government Pension Scheme statutory underpin. Final regulations will be made later in the year and will come into force on 1 October 2023 backdated to 1st April 2014.
- 5.6 At the end of May 2023, the Government published its consultation '*McCloud*' remedy in the LGPS – supplementary issues and scheme regulations seeking views on changes to the Local Government Pension Scheme in England and Wales. The consultation seeks views around: Aggregation; Club transfers; Flexible retirement; Divorce; Injury allowances; Excess teacher service; Compensation; Interest; with the consultation open until 30th June 2023.
- 5.7 The end-of-year accounting exercise for employers with year-end 31st March 2023 was completed and relevant disclosures provided by the Fund Actuary.
- 5.8 The Life Certification exercise has been completed with Crown Agents Bank letters issued to 189 overseas pensioners. The majority of Pensioners completed the facial recognition validation and 4 pension accounts have been suspended due to the pensioners not providing the requested information; follow-up arrangements are in progress for these individuals. Moving forward the Life Certification process will become an annual exercise.
- 5.9 A programme of work is continuing to support on-going effective communication, for example, self-help videos being developed for inclusion on the Fund website to support Members with key activities such as 'how to access My Pension Online'; a Pensions Newsletter, 'PensionsConnection', for retired members of the Rhondda Cynon Taf Pension Fund and Fire Pension Schemes was issued in March 2023 and published electronically to those Pensioner Members signed up for My Pension Online; and a new Member Starter process is being developed that will be accompanied by communication with Fund employers.
- 5.10 A McCloud Working Group has been set up and is progressing the necessary work on data collection and sign-off, noting the acknowledgement by the DLUHC that the administrative requirements of the McCloud remedy will be significant and that Pension Funds should be putting in place resourcing plans to ensure

administrators are equipped to tackle the additional work. In the case of the Rhondda Cynon Taf Pension Fund, the programme of work is being managed, supported and delivered via the McCloud Working Group.

- 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 2023).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	24,036	11,634	48.40%	47.69%
Deferred	30,103	11,415	37.92%	36.49%
Pensioners	18,962	6,057	31.94%	30.73%
Dependants	3,035	194	6.39%	6.02%

- 5.12 The Service's eight 'Key Performance Service Standards' are regularly monitored by the Investment and Administration Advisory Panel and Pension Board. Overall, service performance is positive and a focus on team development and recruitment continues.
- 5.13 The number of 'Internal Dispute Resolution Procedure' Appeals in progress continues to be extremely low, with no obvious trends or concerns to report

6.0 PENSION BOARD

- 6.1 The Pension Board last met on a hybrid basis on 25th May 2023.
- 6.2 Pension Board Members considered the new 'Pension Transfer Scam' controls and recommended for the enhanced controls in place to be referenced as a mitigating action within the Fund's Risk Register (noting that the Risk Register report, at item 5 of the meeting agenda, has been updated in line with the Pension Board's recommendation).
- 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 2023

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 Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services.

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Quarterly
Engagement
Report

January-March
2023



Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

COMPANY ENGAGEMENTS



Say on Climate

Objective: Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting

that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

Achieved: The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the

role a Say on Climate could play in supporting companies' transition to net zero.

In Progress: Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

Rio Tinto

Objective: LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

Achieved: LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

In Progress: LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

COMPANY ENGAGEMENTS



McDonald's

Objective: LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

Achieved: LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about

updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

In Progress: McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

Constellation Brands

Objective: LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

Achieved: LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

In Progress: As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

Volvo

Objective: The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

Achieved: LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

In Progress: As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Pay Letters

Objective: How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

Achieved: LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

In Progress: Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

Occupied Palestinian Territories

Objective: LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

Achieved: LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.



In Progress: LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

Chipotle

Objective: LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Achieved: During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water

Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Nestlé

Objective: As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

Achieved: Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

In Progress: LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE ENGAGEMENTS

SHARE: Amazon

Objective: Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

Achieved: LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

In Progress: LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

PRI Advance

Objective: LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are

themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

Achieved: LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

In Progress: LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

A General Motors EV1 electric car



CA100+: General Motors

Objective: LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

Achieved: LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

In Progress: LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

Asia Research and Engagement (ARE): MUFG and UOB

Objective: LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal

COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

Achieved: LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

In Progress: LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

Initiative for Responsible Mining Assurance (IRMA)

Objective: During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

Achieved: LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

In Progress: Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from

around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

Investor Initiative for Responsible Care: EU Commissioner

Objective: LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

Achieved: LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In Progress: LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

Follow This

Objective: As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs,

LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

Achieved: LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

In Progress: Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

Market Forces

Objective: LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

Achieved: After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

In Progress: LAPFF will monitor Market Forces' resolutions and work as the year progresses.

Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

COLLABORATIVE ENGAGEMENTS



Construction workers in Doha, Qatar

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

30% Investor Club

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

In Progress: The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group's Global Workstream subgroup and will be contributing to engagements throughout the year.

Rathbones Votes Against Slavery

Objective: Rathbones undertakes an annual analysis of compliance by FST350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of

this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

Achieved: LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

In Progress: LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

New York City Comptroller: Migrant Child Labour

Objective: An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant

POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

Achieved: LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

In Progress: LAPFF will monitor the response and will support engagements as appropriate.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

Achieved: In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is

meant and included within the 'value chains' concept.

In Progress: LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

LAPFF WEBINARS

All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

MEDIA COVERAGE

Water Risk

ESG Investor: [Investors Seek to Turn the Tide on Water Risk](#)

Say on Climate

IPE: [Investors call for voting on 'Say on Climate'](#)

Pensions Age: [LAPFF calls for shareholder vote on greenhouse emissions](#)

ESG Investor: [Investors demand 'Say on Climate' at FTSE Listed Firms](#)

Net Zero Investor: [Investors demand vote on climate transition plans at FTSE firms](#)

Investment Week: [Shell directors sued over 'flawed' climate plan](#)

Lexology: [Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season](#)

The MJ: [Public sector pension funds call for 'Say on Climate' vote](#)

The Actuary: [Public-sector pension funds seek carbon vote](#)

ESG Investor: [New Ideas, Better Teamwork in Pursuit of Paris Goals](#)

Local Gov: [Public sector pension funds call for 'Say on Climate' vote](#)

LAPFF Executive

Local Government Chronicle: [Rodney Barton receives LGC Investment lifetime achievement award](#)

Social Factors

Pensions Age: [Taskforce on Social Factors launched with DWP support](#)

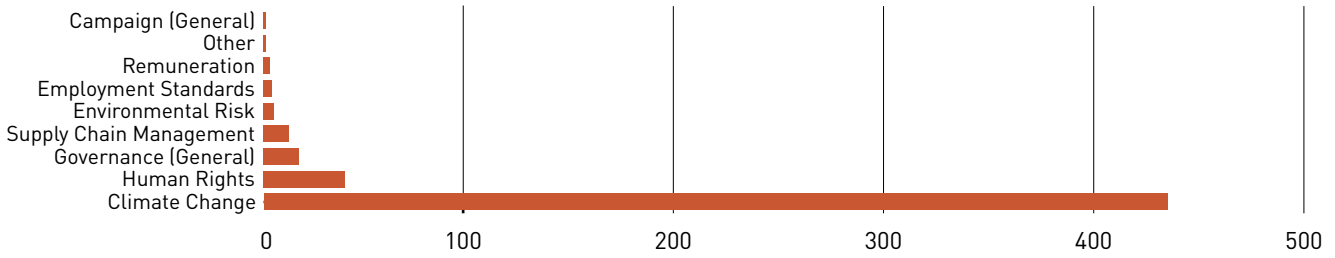
Professional Pensions: [DWP launches social factors taskforce for industry](#)

ESG Clarity: [UK pensions social taskforce launches to address data gap](#)

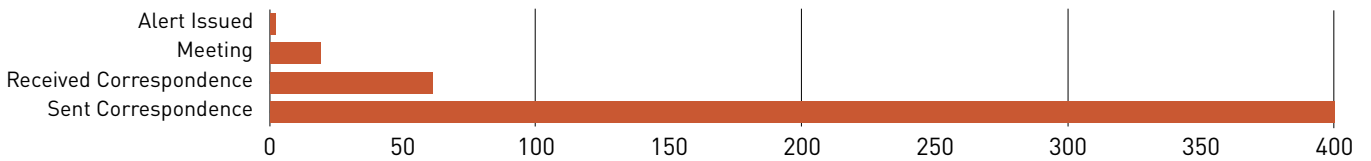
Pensions and Investments: [UK task force sets out to help asset owners with social considerations](#)

ENGAGEMENT DATA

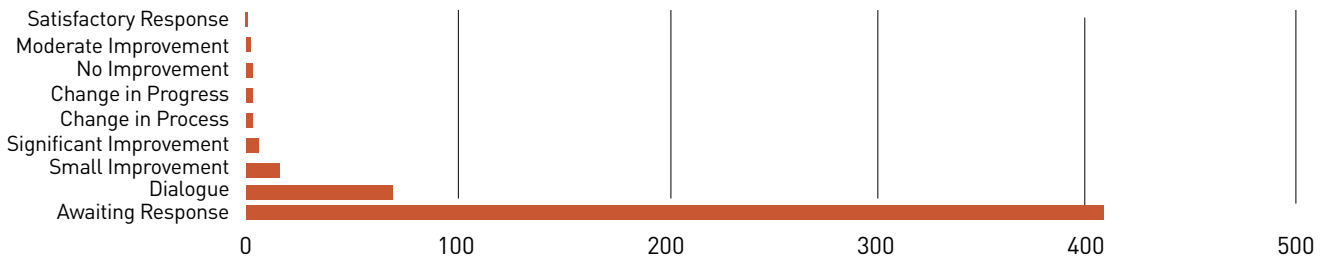
ENGAGEMENT TOPICS



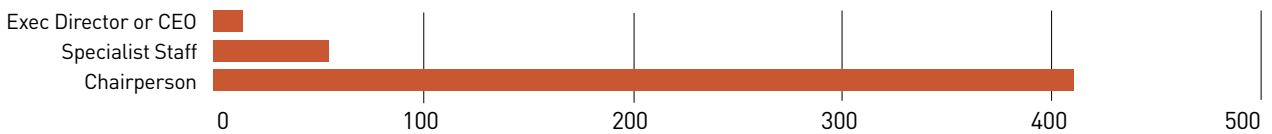
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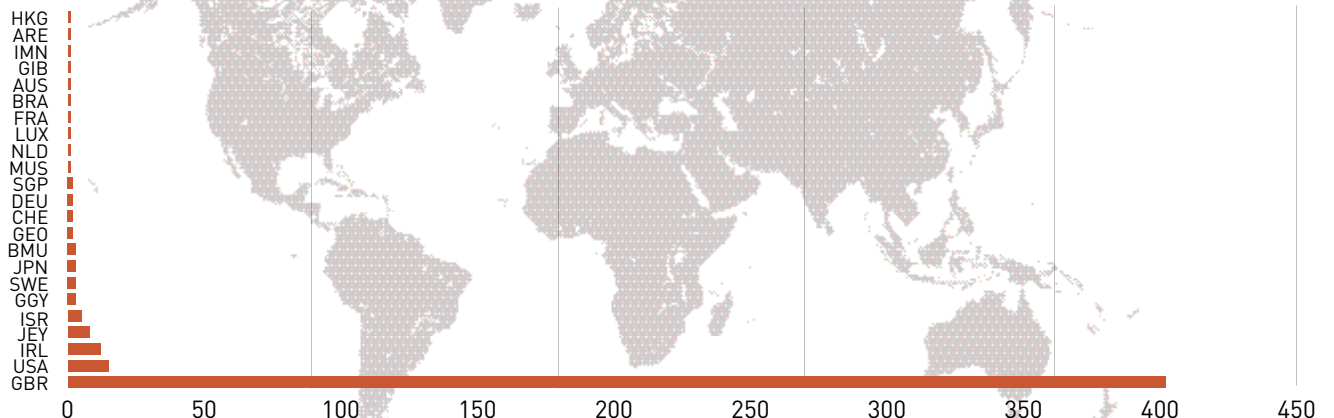
MEETING ENGAGEMENT OUTCOMES



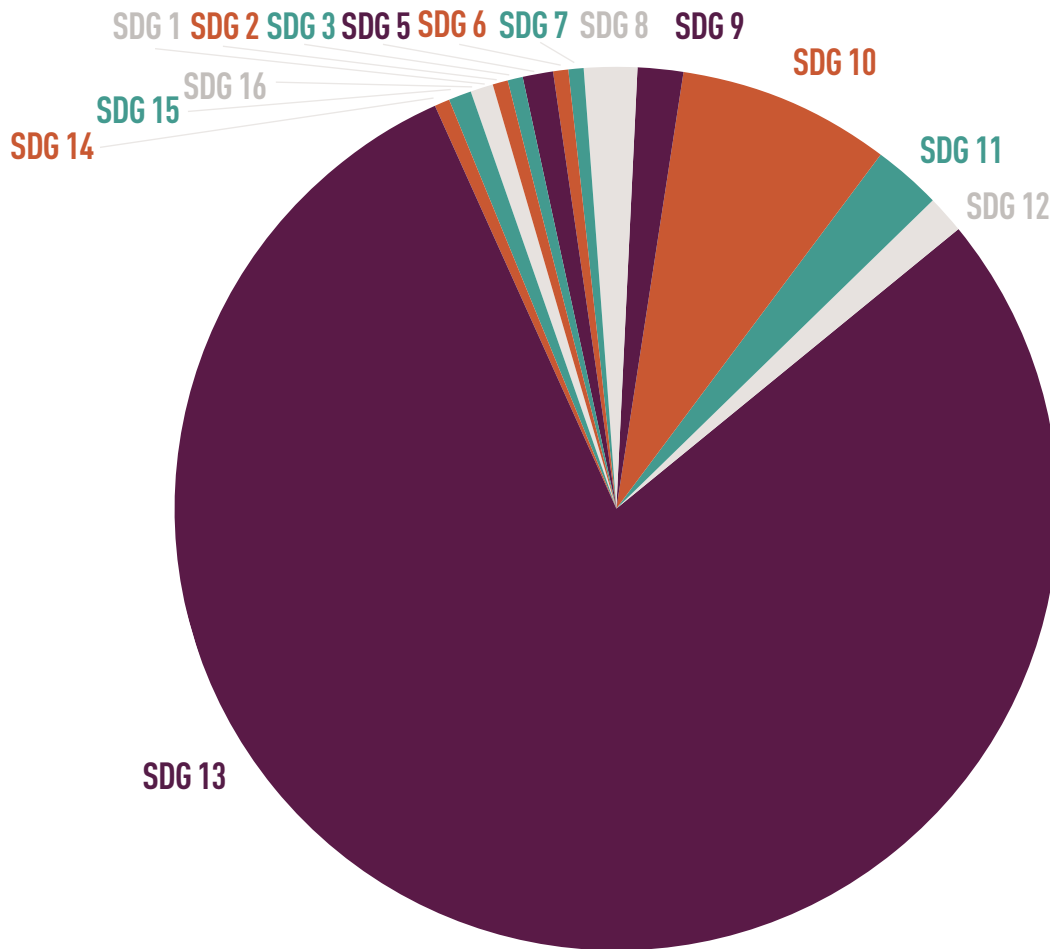
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

PENSION FUND COMMITTEE

18TH JULY 2023

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR -
FINANCE, DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 5
PENSION FUND RISK REGISTER – RISK REGISTER OVERVIEW

**Author – Barrie Davies, Deputy Chief Executive and Group Director –
Finance, Digital and Frontline 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 Deputy Chief Executive and Group Director – Finance, Digital and Frontline 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 Risk Register is also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements. At the 25th May 2023 Pension Board meeting, the Pension Board's recommended update to the Risk Register within the 'Operational' risk category and risk description 'Fraud' has been incorporated into the latest version of the document.
- 4.5 The updated Risk Register, dated June 2023, 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

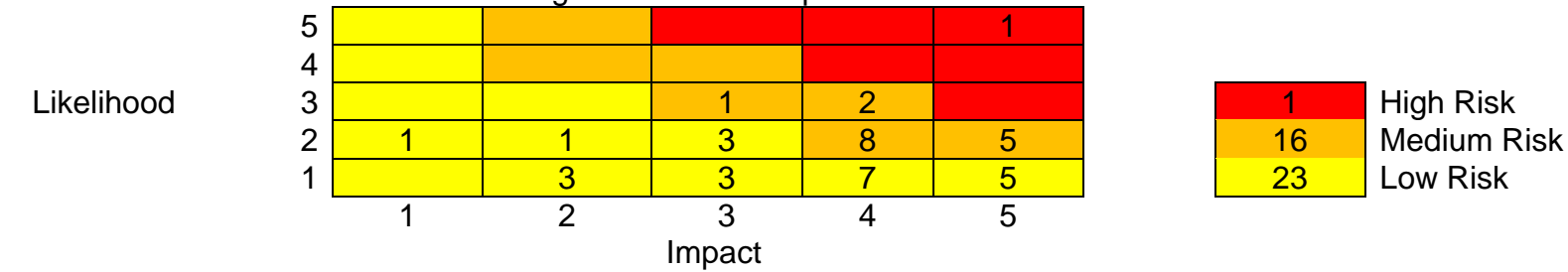
Likelihood Assessment Matrix:

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 2023 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 funding position, 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. 	Amended the control measure of monitoring of funding position, in line with the Fund's current funding position.
	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 2022 valuation review. 	
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	3	12	MR	<ul style="list-style-type: none"> Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling. Adhere to triennial valuations. Monitor performance against assumptions, consider Interim Valuations where necessary. Monthly monitoring of Pension Fund investment valuation given the uncertainty in markets due to economic volatility. Receive regular Actuarial Funding updates. 	Updated the control measure of monthly monitoring of pension fund investments to reflect uncertainty due to economic volatility rather than Covid-19.
	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. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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 diseases. 	
	Failure to adequately take into account climate change, climate risk and ESG factors resulting in the financial loss.	3	2	6	LR	<ul style="list-style-type: none"> The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund web-site. Appointment of a voting engagement provider to monitor fund managers voting and engagement held outside the WPP. Appointment of a proxy voting engagement provider by the WPP, who engages with managers and companies on climate change, climate risk and ESG factors. Panel engages and challenges fund managers on how they account for ESG factors. Participation in training and development when available. 	
	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. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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. Monitor individual fund managers performance and address where necessary by closer monitoring and scrutiny 	
	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 Investment management fees are monitored on a quarterly basis. Investment malpractices are reported to the FCA. 	Amended monitoring of investment assets and transaction to reflect the arrangements being monitored in-house and no longer with support from a third-party system.
	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. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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 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. External 'Operator' appointed by WPP. 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 	Uncertainty on the change of ownership of the WPP 'Operator'.
	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). Participation on consultation papers. 	Awaiting publication of the new General Code of Practice from The Pension Regulator.
	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 Advisory Panel, Pension Committee and Pension Board. The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	Loss of reputation.	2	2	4	LR	<ul style="list-style-type: none"> The Fund holds Annual General Meetings, Communication Forums, seminars and training both directly and through the WPP. 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 web-site https://www.rctpensions.org.uk/EN/GovernanceAndInvestment/Investments.aspx 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 & Democratic 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. Training and retaining of specialists in a challenging recruitment market. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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. 	
	Inability to comply with Pension Dashboard Staging Dates and Duties	4	1	4	LR	<ul style="list-style-type: none"> Connection deadline for public service schemes is to be agreed and will be prior to October 2026 – Government announced in March 2023 that it intends to legislate to amend the staging timetable. Updates from industry bodies regarding staging deadlines and requirements reviewed. Existing software provider, Heywood, to be used as Integrated Service Provider (ISP). Data cleansing exercises ahead of staging date. Resource to be allocated and processes to be implemented to deal with member queries arising from use of dashboards. Regular progress updates are provided to the Fund's governance groups. 	Connection deadline amended in line with the updated timescale announced by UK Government.

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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 Assessments undertaken 	
	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. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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 Triennial Valuations	5	1	5	LR	<ul style="list-style-type: none"> Data Cleaning exercise. Actuarial 'Employer Covenant' reviews. Employer Engagement : Year End Data Schedules Issued / Timetable / Support. Project Terms of Reference / Timetable agreed with Actuary. Assumptions to be agreed with Actuary. Data to be submitted as per agreed timeline. 	Triennial valuation for 2022 completed.
	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 2022 'Rates and Adjustments Certificate'.	2	1	2	LR	<ul style="list-style-type: none"> Monitoring of monthly receipts to remittances, with reference to the 2022 'Rates and Adjustment Certificate'. Report any material breaches to Regulator in accordance with the Fund's 'Breaches Policy'. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating June 2023 qtr
	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. • Enhanced processes in place to avoid scam pension fund transfers in accordance with TPR guidance. • The Pension Fund is signed up to the Regulator Pledge to carry out due diligence to reduce the risk of fraud 	New control measure added to reference enhanced processes in place to avoid scam transfers, as recommended by the Pension Board.
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 2023-24

PENSION FUND COMMITTEE

18TH JULY 2023
REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR -
FINANCE, DIGITAL AND FRONTLINE
SERVICES

AGENDA ITEM NO. 6
WALES PENSION PARTNERSHIP - UPDATE

Author – Barrie Davies, Deputy Chief Executive and Group Director -
Finance, Digital and Frontline 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 2023–2026.

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 JGC by their Chair (or Vice Chair), with the Committee membership also comprising a co-opted (non-voting) scheme member representative.

3.3 The latest meeting of the JGC took place on the 29th March 2023. The agenda can be accessed [here](#), which was shared with all Committee (and board) members before the meeting.

- 3.4 At the next scheduled meeting of the JGC, on 19th July 2023, the following annual policies and papers will be reviewed:
- Annual Return for the year ended 31st March 2023.
 - Approval of the evaluation criteria including weightings for the Operator Procurement.
 - Stock Lending report.
 - Policy Reviews of Climate Risk Policy and Voting policy.
 - Operator update.
 - Performance reports as at 31st March 2023.
 - ESG and Climate Risk reports.

Next Steps / Priorities:

- Development of the Private Markets Sub-Funds.
 - Private Debt and Infrastructure sub funds were launched April and May 2023. Drawdowns are continuing.
 - Launch of the Private equity sub fund.
 - Formulate the WPP's Property requirements.
- The transition for the launch of the Sustainable Equity Fund took place week commencing 20th June 2023.
- Operator contract procurement process.
 - The existing contract comes to an end in December 2024.
 - The procurement process is ongoing.
 - The prior information notice was issued 17th January 2023.
 - A market engagement day took place on the 9th March 2023.
 - A report is scheduled to be presented to the JGC to approve the operator appointment March 2024.
 - Each individual Pension Committee will need to approve the appointment March / April 2024.
- The purchase of Link by Waystone Group has been agreed. Novation agreements have been issued to all parties by Link. Link has provided an estimated date of October 2023 for the FCA approval of the takeover.
- Task Force on Climate-Related Financial Disclosures (TCFD) reporting.

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 2023-2026 (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 2023-2026



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Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2023/24, 2024/25 and 2025/26. 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:



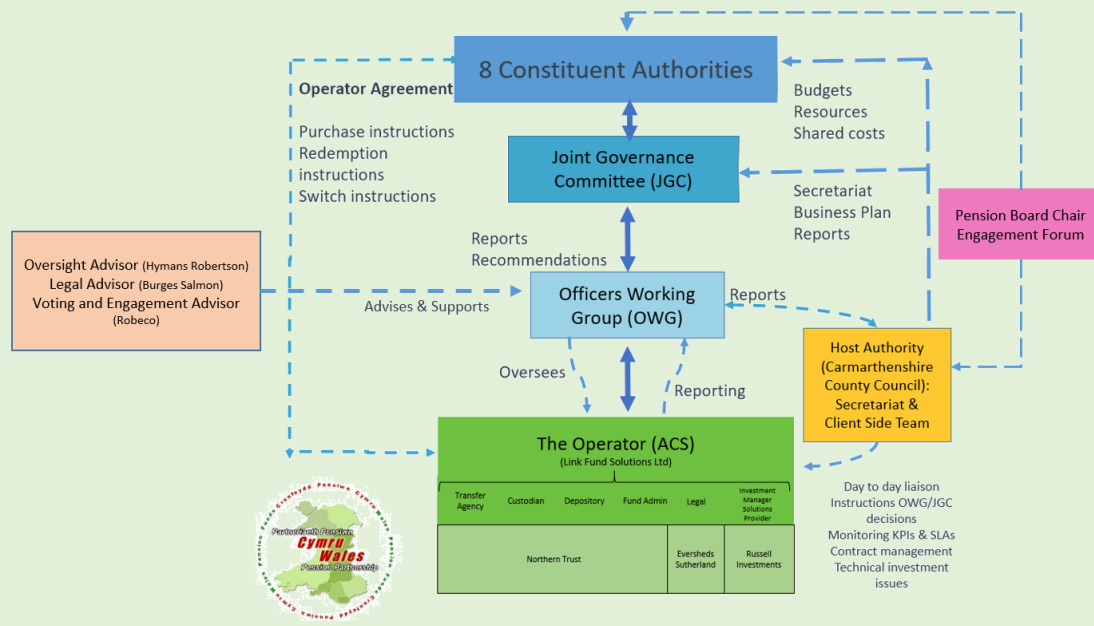
Governance

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 councillors, scheme member representative 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
- 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.

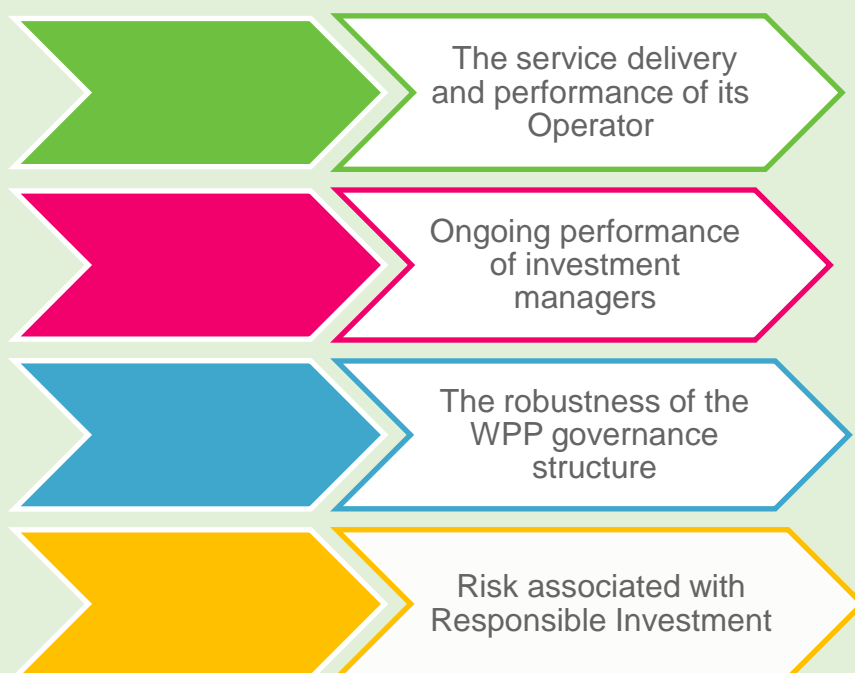
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

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
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

The 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.

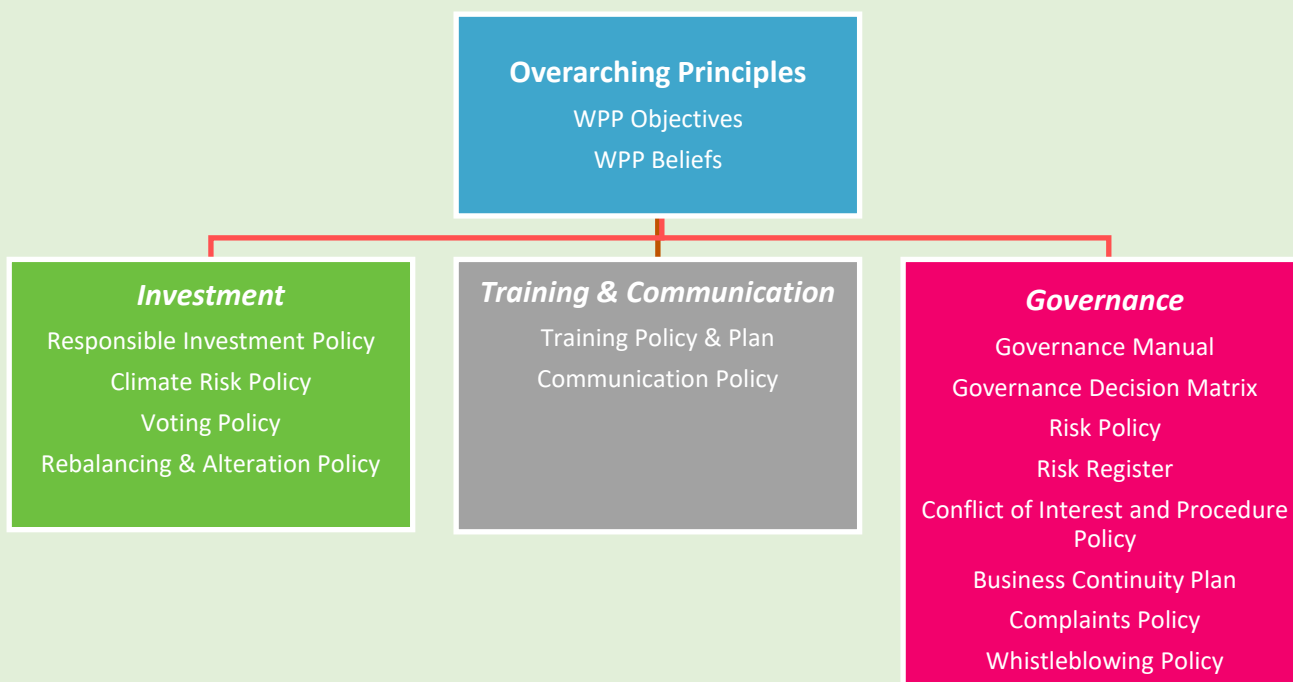
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

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 c72% 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	2023 - 2024	2024 - 2025	2025 - 2026
Governance			
Development of a WPP Breaches and Errors Policy	✓		
Legal Services provider contract (initial 3 year review)	✓		
Oversight Advisor procurement process		✓	
Voting & Engagement Service provider procurement process		✓	
Ongoing review of Inter Authority Agreement	✓	✓	✓
Annual review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	✓	✓	✓
Ongoing Sub-Fund development			

Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch Sustainable Equities Sub-Fund	✓		
Launch of Private Equity Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds	✓	✓	
Consideration of WPP's Levelling up / impact requirements	✓	✓	
Launch of other Private Market sub-funds (TBC)	✓	✓	✓
Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
Operator Services			
Operator contract / procurement process	✓	✓	
New Operator Contract		✓	
Operator Oversight	✓	✓	✓
Investments and Reporting			
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 Operator / external provider fees	✓	✓	✓

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').

Product Knowledge

- o Private Market Asset Classes – Private Equity / Property
- o Levelling up / development opportunities

Reporting

- o TCFD reporting
- o Performance reporting

Responsible Investment

- o Voting & Engagement
- o RI within the WPP sub funds

Market Understanding & Regulatory Requirements

- o Progress of other LGPS pools & Collaboration Opportunities
- o Pooling Guidance

Budget

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

	2023-24	2024-25	2025-26
	£'000	£'000	£'000
Host Authority *	200	205	209
External Advisors *	1,448	1,130	1,040
TOTAL to be recharged	1,648	1,335	1,249
Operator / Allocator Services **	37,257	40,982	45,080
TOTAL to be deducted from the NAV	37,257	40,982	45,080

**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 £23bn (as at 31 March 2022). 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, Nissay, Intermede and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Liontrust (Majedie), Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets Index	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 WGBI Index	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Contact Details

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

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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/>

