



## Report of the Section 151 Officer

Pension Fund Committee - 15 March 2022

# City & County of Swansea Pension Fund Business Plan 2022/23

|                                    |  |
|------------------------------------|--|
| <b>Purpose:</b>                    | To provide a working framework for the Pension Fund's programme of work for 2022/23  |
| <b>Reason for Decision:</b>        | To approve the outlined work programme.  |
| <b>Consultation:</b>               | Legal, Finance and Access to Services.   |
| <b>Recommendation:</b>             | It is recommended that The pension Fund Committee approve and note:<br><br>1) The City & County of Swansea Pension Fund Annual Business Plan 2022/23;<br>2) Risk Register 2022/23;<br>3) Asset Allocation;<br>4) Budget 2022/23. |
| <b>Report Author:</b>              | Jeff Dong  |
| <b>Finance Officer:</b>            | Jeff Dong  |
| <b>Legal Officer:</b>              | Stephanie Williams   |
| <b>Access to Services Officer:</b> | Rhian Millar   |

## Business Plan 2022/23

### 1 Background

- 1.1 In line with best practice, the Pension Fund produces a business plan, risk register, budget and asset allocation to inform its work programme for the forthcoming 12 month period. The business plan, budget, risk register, asset allocation for 2022/23 is attached at Appendix 1,2,3 and 4

### 2 Proposal

- 2.1 The Pension Fund Committee is asked to approve the attached business plan, budget, risk register and asset allocation for the year 2022/23 noting the timescale and responsibility for key action points throughout the year. The document is a dynamic document and shall be revised and amended

throughout the year as necessary.

### **3 Legal Implications**

3.1 The relevant legal provisions and guidance are set out in the Appendix

### **4 Financial Implications**

4.1 There are no financial implications arising from this report

### **5 Integrated Impact Assessment Implications**

5.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

An integrated impact assessment screening has been undertaken and it concludes that there are no equality impact implications arising from this report.

**Background Papers:** None.

**Appendices:** Appendix 1- Business Plan 2022/23  
Appendix 2 – Risk Register  
Appendix 3 – Asset Allocation  
Appendix 4 – Budget

# **CITY AND COUNTY OF SWANSEA**



## **Pension Fund**

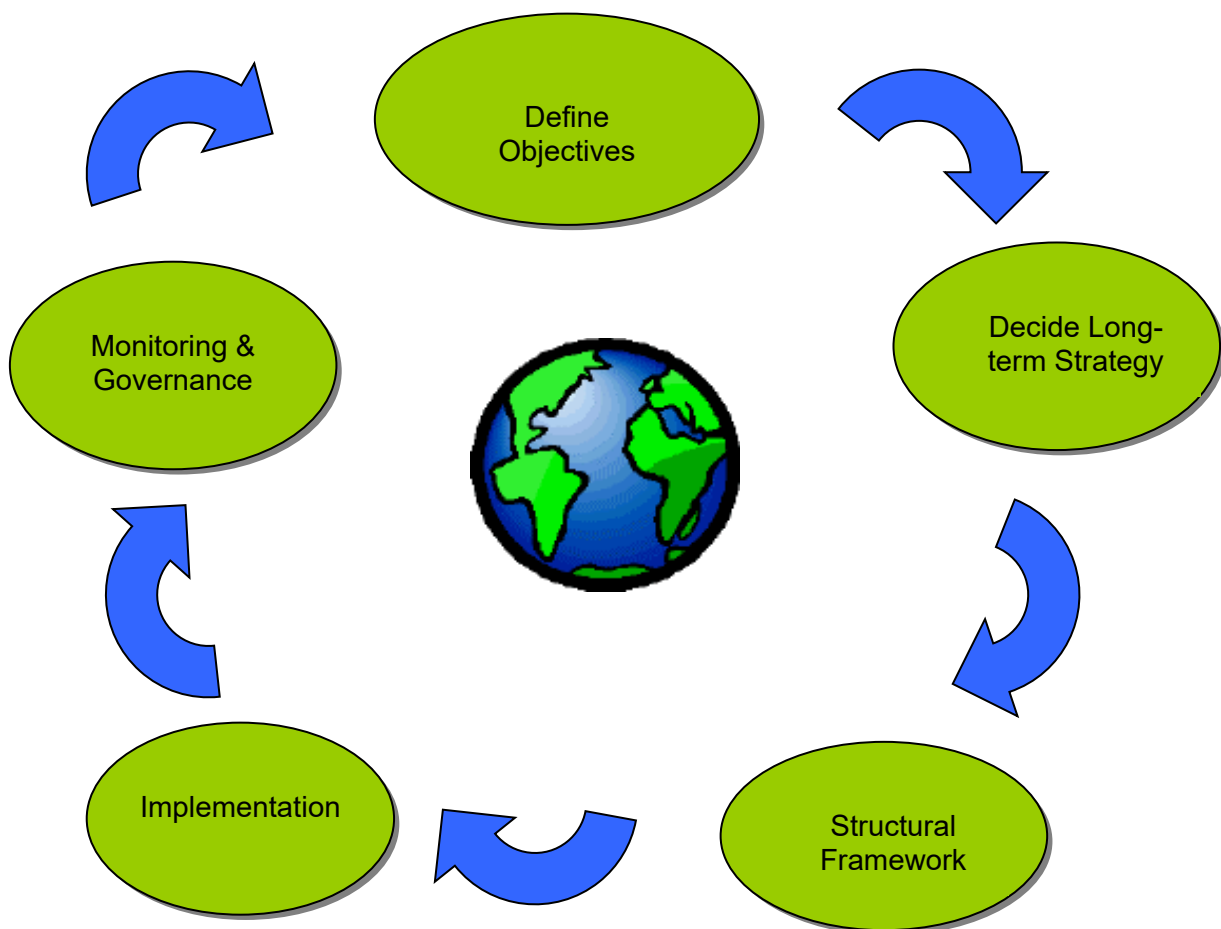
### **Annual Business Plan 2022/23**

# Local Government Pension Scheme City & County of Swansea

## Business Plan

### 1. Decision-making Framework

The Pension Fund Committee have the delegated responsibility to manage the investment arrangements of the Fund to meet the overall investment objectives identified in the Statement of Investment Principles. Investment decisions are taken by the Committee as advised by the Deputy S151 Officer and professional external investment consultants. The Pension Fund Committee use the following framework to formulate their policy in all aspects relating to the management of the Fund's assets.



This Plan relates to the management of the Fund's assets over the medium-term/long term, with a detailed plan of issues to be addressed in the next twelve months.

## 2. Summary of Investment Arrangements

The primary investment objectives of the Pension Fund Committee as stated in the Investment Strategy Statement are:

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed approximately every three years and as appropriate in the interim.

The Fund's investment strategy was last reviewed during 2019. A full analysis including both a quantitative (using asset liability modelling) and qualitative analysis was undertaken following the last triennial valuation in 2017. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferreds and active members), together with the level of surplus or deficit (relative to the funding basis used). Details of the assumptions used in the quantitative analysis was considered prior to the Committee agreeing any strategic changes.

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability, given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and is considering a formal rebalancing framework alongside potential changes to the Fund's longer term strategic asset allocation.

Performance of the investment managers are collated by PIRC on a whole LGPS basis, this service shall be reviewed on an All Wales basis in due course. Performance of the managers are considered by the Pension Fund Committee on a quarterly basis, with reports and analysis being provided by Hymans.

Each of the external managers provides quarterly reports on performance and makes presentations to Committee as and when required.

### **3. Issues addressed in year to 31 March 2022**

In the last twelve months the Pension Fund Committee has addressed the following investment issues:

#### *a. Objectives*

- The fund reviewed its objectives as outlined in the revised Investment Strategy Statement

#### *b. Investment Strategy*

The Pension Fund Committee monitored its investment strategy and asset allocation as outlined in The Investment Strategy paper previously, providing an update on progress re. the de-risking strategy and progress re. reducing carbon exposure in its listed equity portfolio to 50% by 2022. It has also committed significant capital to renewable energy (solar and wind) during the year. It has also committed to investing in residential housing with funds committing to identifying opportunities in the Swansea area (due diligence being undertaken on 2 sites)

#### *c. Structural Framework*

The Wales Pension Partnership (WPP) has successfully transitioned its active global equities assets (including Swansea) into the WPP ACS. The successful transition of Swansea's active £121m fixed income assets took place in Sep 2020. Work is ongoing in relation to the private market assets in the portfolio with a timetable for implementation to be agreed in 2021.

#### *d. Implementation*

- Produced annual report and statement of accounts 2020/21
- Held Annual General Consultative Meeting
- Transitioned active bonds into WPP active fixed income sub funds
- Implemented Swansea specific low carbon overlay re. WPP Global equity assets
- Implemented Equity Protection programme
- Implemented triennial valuation
- Held employee roadshows

#### *e. Monitoring & Governance*

During the year, the Pension Fund Committee has held quarterly monitoring meetings with reports from the investment consultant and officers, which under Covid 19 regulations have been held remotely via TEAMS.

Similarly, The Local Pension Board has held quarterly meetings ( virtually via TEAMS) reviewing the work of the pension fund committee

The Joint Governance Committee (JGC) of the WPP has also met 4 times during the year virtually.

A virtual consultation meeting to consider the 2020/21 Annual Report and Statement of Accounts was held, to which all employing bodies and trade unions were invited.

The Pension Admin Manager held several virtual meetings for employers and members in order to explain the implementation of new regulations, share best practice and improve data submission portals and preparatory work ahead of the triennial valuation 2022 and other changes amongst other administration issues.

#### *f. Environmental, Social, Governance (ESG)*

The Pension Fund Committee has formally adopted and approved its Responsible Investment Policy and Environmental, Social Governance (ESG) Policy. The Fund has successfully transitioned £0.5bn of assets into the Blackrock low carbon fund and was recognised in its responsible investment approach by winning the LAPF Best Approach to Sustainable Investment Approach Award 2019. It has also lobbied and worked with peers in WPP to implement carbon reduction programmes in its portfolios. Consequently, the WPP has submitted its prospectus for the carbon reduction overlay for the WPP Global equities opportunities fund to the FCA for consideration. Swansea is currently also concluding due diligence on a number of impact investments including renewable power ( solar and wind) and affordable/community housing. The fund also was shortlisted for the LAPF Awards in 2020 for best investment innovation ( equity protection) and best approach for sustainable investment ( carbon reduction overlay).

### **4. The Business Plan**

#### *a. Objectives*

The Investment Objectives, Strategy and Risk Profile shall be considered when reviewing the Investment Strategy Statement and when considering the revision of the funding strategy statement that was adopted for the 2019 valuation.

#### *b. Investment Strategy*

The solvency level of the Fund continues to be carefully monitored. The ongoing uncertainty for the world economies and recovery from the effects of the global Covid 19 pandemic means that Pension Fund Committee members shall continuously review the funding level. The strategy will be regularly reviewed to seek to reduce the risk within the portfolio in light of recent gains.

Particular areas to be addressed are as follows:

- Review the effectiveness of the implemented structure of the fund
- Review de-risking strategy
- Review the profile of the Equity protection programme
- Review asset allocation and new asset classes
- Review risk parameters
- Re- balance more efficiently
- Review appropriate fund benchmarks

*c. Structural Framework*

The structural framework of the investment management arrangements of the fund has been materially impacted by the establishment of the WPP. The joint governance committee has met 4 times during the year and has engaged formally with the chairs of the 8 local Pension Boards and has held a number of joint training sessions during the year.

*d. Implementation & Risk Management*

The Committee shall implement decisions taken in respect of the strategy described above and has identified and shall monitor risks identified in Appendix 2 in the Pension Fund Risk Register. A programme to reduce risk in the equity portfolio as the fund reallocates to a variety of yielding real assets was the implementation of an equity protection programme, the progress of which has been reported regularly since inception. The programme shall be reviewed and re-profiled as the market conditions develop to ensure continued protection whilst the remainder of the real assets portfolio is deployed.

*e. Monitoring & Governance*

The Governance arrangements of the CCS pension fund have been formally reviewed in line with regulations and the Council's constitution has been amended to reflect the same, with the Pension Fund Committee having governance responsibilities for the pension fund and the Local Pension Board providing the oversight and assistance to the Pension Fund Committee to discharge its role.

The Pension Fund Committee will continue to consider issues arising from all the guidance for investment decision making and further improve compliance where required. The Pension Fund Committee awaits the outcome of the scheme governance review guidance due to be published by the scheme advisory board (SAB).

The Chairman ( or his nominated Deputy ) of the Pension Fund Committee shall be the Swansea representative on the Joint Governance Committee of the Wales Pension Partnership. Following the considerable support of the Chairman of the Pension Fund Committee, the JGC of the WPP has approved the appointment of a Scheme Member Representative of the JGC.



An Annual Consultative Meeting with stakeholders was held to consider the 2020/21 Annual Report.

Further open meetings for employers shall be arranged as required to consider revisions to the scheme and the impact of Mc Cloud remedy impact and will consult on further dialogue with DLHC in relation to structural reform of the LGPS.

#### *f. Trustee/Officer Training*

The Deputy S151 Officer and advisors will continue to identify suitable Trustee training opportunities as outlined in the Trustee Training plan and in tandem with the WPP training plan, striving to ensure Trustees are appropriately equipped to discharge their role.

Since the publication of the CIPFA skills and knowledge framework and TPR toolkit , there is a continuing requirement for Pension Fund Committee Trustees to demonstrate acceptable levels of competency to discharge their roles.

The Trustees, in turn are to ensure their own training requirements are being met and are asked to make themselves available for training when required.

Similarly officers are required to demonstrate competency and experience in discharging their roles and the Deputy S151 Officer shall continue to identify training opportunities for the officers of the fund.

The appointed investment consultant, Hymans launched the LGPS National Knowledge Assessment (NKA) self assessment toolkit to gauge the level of competency of both Committees and Boards. Both members of the Committee and Local Pension Board have undertaken the assessment and the results and feedback shall inform the items identified for training. The Training Plan Report 2021/22 is also being considered on this agenda.

## **5. Business Plan Timetable**

The following table in Appendix 1 sets out the progress achieved against the 2021/22 business plan and sets out the broad Pension Fund Committee business plan over the next twelve months for 2022/23, the document is a dynamic document which is subject to review during the year. The business plan also includes a projected budget for the forthcoming year in respect of the main areas of income and expenditure and in Appendix 3. Appendix 2 outlines the high level risk register.

The action plan shall, where appropriate, form the basis of the agenda items at the Pension Fund Committee meetings.

Review of 2021/22 Business Plan Targets to year ended 31<sup>st</sup> March 2022

| Action | Description   | Time-scale      | Primary Responsibility                    | Status   |
|--------|---|-----------------|---|--|
| 1      | Formulate Annual Business Plan for 2021/22  | Mar 2021        | Deputy S 151 Officer                      | Achieved   |
| 2      | Implement revised FSS for employer flexibilities  | April 2021      | Deputy S 151 Officer /actuary             | Achieved   |
| 3      | Take amended WPP Inter Authority Agreement to Council for amendment to recognise scheme member representative on the JGC.             | Dec 2021        | Deputy S 151 Officer /Democratic Services | Achieved   |
| 4      | Undertake formal Review of Investment Strategy Statement  | Mar 2021        | Deputy S 151 Officer                      | Achieved   |
| 5      | Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs                                    | June 2021       | Deputy S 151 Officer                      | Achieved   |
| 6      | Finalise GMP reconciliation   | Sep 2021        | Deputy S 151 Officer                      | Not achieved /ongoing target completion date April 2022                                    |
| 7      | Monitor LGPS Regulation Changes and provide response to consultation where necessary to MHCLG   | MHCLG timetable | Deputy S 151 Officer                      | Achieved   |
| 8      | Implement Mc Cloud Remedy   | 2021/22         | Deputy S 151 Officer                      | Ongoing as operational impact of remedy is appraised and developed with software providers |
| 9      | Support the All Wales Investment Pool project ( procurement, governance & oversight arrangements, prospectus design, sub fund design, | Continuous      | Deputy S 151 Officer                      | Achieved & Ongoing   |

|    |   |  |                      |                      |
|----|---|--|----------------------|----------------------|
|    | tax, transition management)   |  |                      |                      |
| 10 | Consider and approve Pension Fund Accounts and Annual Report and progress through external audit process      | November 2021  | Deputy S 151 Officer | Achieved             |
| 11 | Review performance of WPP fund managers and Swansea fund managers ,   | July 2021<br>September 2021<br>Dec 2021<br>March 2022      | Deputy S 151 Officer | Ongoing              |
| 12 | Continue to implement the fund's ESG Policy in respect of reduced carbon exposure and responsible investments | 2021/22  | Deputy S 151 Officer | Achieved and ongoing |
| 13 | Annual consultative meeting with employers re. annual report  | November 2021  | Deputy S 151 Officer | Achieved Nov 2021    |
| 14 | Receive presentations from Fund Managers/WPP ACS Operator/advisors  | July 2021<br>September 2021<br>December 2021<br>March 2022 | Deputy S 151 Officer | Achieved             |
| 15 | Implement any amendments as a result of revised regulations   | DLHC Timetable   | Deputy S 151 Officer | Achieved             |
| 16 | Review Pension Administration Strategy to ensure compliance with legislation                                  | Nov 2021   | Deputy S 151 Officer | Achieved             |
| 17 | Review Communication Strategy to ensure fit for purpose and compliance with regulations                       | Nov 2021   | Deputy S 151 Officer | Achieved             |

|    |  |           |                      |  |
|----|--|-----------|----------------------|--|
| 18 | Implement training plan as a result of the knowledge and skills assessment of pension fund committee and local pension board members via National knowledge assessment (NKA) | July 2021 | Deputy S 151 Officer | Partly Achieved – continues in 2022/23 |
| 19 | Review Governance arrangements pending issuance of SAB guidance  | Dec 2021  | Deputy S 151 Officer | Ongoing                                |
| 20 | Continue to evolve the carbon reduction programme within the equity portfolio  | Dec 2021  | Deputy S 151 Officer | Net Zero Roadmap adopted in Nov 2021   |
|    |  |           |                      |  |

### Business Plan 2022/23 to Year Ending 31 March 2023

| Action | Description  | Time-scale           | Primary Responsibility        |
|--------|--|----------------------|-------------------------------|
| 1      | Formulate Annual Business Plan for 2022/23   | Mar 2022             | Deputy S 151 Officer          |
| 2      | Implement revised FSS following Valuation 2022   | April 2023           | Deputy S 151 Officer /actuary |
| 3      | Undertake 2022 Triennial Valuation   | April 2022- Nov 2022 | Deputy S 151 Officer /actuary |
| 4      | Undertake formal Review of Investment Strategy Statement   | Mar 2023             | Deputy S 151 Officer          |
| 5      | Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs   | June 2022            | Deputy S 151 Officer          |
| 6      | Finalise GMP reconciliation  | Apr 2022             | Deputy S 151 Officer          |
| 7      | Monitor LGPS Regulation Changes and provide response to consultation where necessary to DLHC   | MHCLG timetable      | Deputy S 151 Officer          |
| 8      | Implement Mc Cloud Remedy  | 2022/23              | Deputy S 151 Officer          |
| 9      | Support the WPP Investment project ( procurement, governance & oversight arrangements, prospectus design, sub fund design, tax, transition management) | Continuous           | Deputy S 151 Officer          |
| 10     | Consider and approve Pension Fund Accounts and Annual Report and progress through external audit process   | November 2022        | Deputy S 151 Officer          |

|    |  |  |  |
|----|--|--|--|
|    |  |  |  |
| 11 | Review performance of WPP fund managers and Swansea fund managers ,  | July 2022<br>September 2022<br>Dec 2022<br>March 2023      | Deputy S 151 Officer                             |
| 12 | Continue to implement the fund's ESG Policy in respect of reduced carbon exposure and responsible investments  | 2022/23  | Deputy S 151 Officer                             |
| 13 | Annual consultative meeting with employers re. annual report   | November 2022  | Deputy S 151 Officer                             |
| 14 | Receive presentations from Fund Managers/WPP ACS Operator/advisors   | July 2022<br>September 2022<br>December 2022<br>March 2023 | Deputy S 151 Officer                             |
| 15 | Implement any amendments as a result of revised regulations  | MHCLG<br>Timetable   | Deputy S 151 Officer                             |
| 16 | Review Pension Administration Strategy/Discretions to ensure compliance with legislation   | Nov 2022   | Deputy S 151 Officer                             |
| 17 | Review Communication Strategy to ensure fit for purpose and compliance with regulations  | Nov 2022   | Deputy S 151 Officer                             |
| 18 | Implement training plan as a result of the knowledge and skills assessment of pension fund committee and local pension board members via National knowledge assessment (NKA) | July 2022  | Deputy S 151 Officer                             |
| 19 | Review Governance arrangements pending issuance of SAB guidance  | Dec 2022   | Deputy S 151 Officer                             |
| 20 | Develop Roadmap to Net Zero for the Investment Portfolio   | Dec 2022   | Deputy S 151<br>Officer/Investment<br>Consultant |
|    |  |  |  |

## City &amp; County of Swansea Pension Fund Risk Register 2021/22

| Risk  | Existing control measures /new control measures  | Impact | Likelihood | Assigned | Date    | Risk status |
|---|--|--------|------------|----------|---------|-------------|
| <b>CCSPF1- Failure to comply with LGPS Regulation</b><br><br><b>If there is failure to comply with regulation, there would be adverse audit opinion and loss of trust from employers within scheme</b>  | <ul style="list-style-type: none"> <li>• Well trained staff</li> <li>• CPD</li> <li>• Pensions Officer Group</li> <li>• Society of Welsh Treasurers</li> <li>• Internal/external audit regime</li> </ul>   | High   | Low        | JD       | 2022/23 | Green       |
| <b>CCSPF2 – Failure to process accurate pension benefits in a timely manner</b><br><br><b>If a pension benefit is paid incorrectly there could be a cost to the fund or penalty imposed for lateness of payment</b>   | <ul style="list-style-type: none"> <li>• Well trained staff</li> <li>• Established procedure with imbedded checks and segregation of duties in place</li> <li>• Regular KPI monitoring</li> <li>• Use of market leading software Altair</li> <li>• NFI checks</li> <li>• Atmos checks</li> <li>• GDPR</li> </ul> | High   | Low        | JD       | 2022/23 | Green       |
| <b>CCS PF3- Failure to collect and account for full receipt of contributions from employers and employees on time</b><br><br><b>If there is a failure to collect appropriate contributions there may be a rise in employers contributions and an adverse impact on cashflow and the ability to pay benefits and adverse audit opinion</b> | <ul style="list-style-type: none"> <li>• Contribution timetable/monitoring procedure</li> <li>• Administering Authority agreement</li> <li>• Escalation and fines for non compliance</li> <li>• Internal audit</li> </ul>  | High   | Low        | JD       | 2022/23 | Green       |
| <b>CCS PF4 – Failure to keep pension records up to date</b><br><b>If pension records are not up to</b>  | <ul style="list-style-type: none"> <li>• Administering Authority agreement with employers to ensure timely passing of</li> </ul>   | High   | Medium     | JD       | 2022/23 | Amber       |

|  |   |      |     |    |         |       |
|--|---|------|-----|----|---------|-------|
| <p><b>date, a wrong benefit may be calculated and paid</b></p>   | <p>information</p> <ul style="list-style-type: none"> <li>• Data accuracy checks undertaken</li> <li>• Data validation on Altair system</li> <li>• Periodic data validation by scheme actuary/NFI</li> <li>•</li> </ul>   |      |     |    |         |       |
| <p><b>CCSPF 5 Failure to hold personal data securely</b></p> <p><b>If there is breach of data there is a risk to the individual's details and loss of trust in the Authority</b></p>   | <ul style="list-style-type: none"> <li>• Compliance with GDPR</li> <li>• Business Continuity plan</li> <li>• IT Security Policy</li> <li>• Systems and pension payroll audit annually</li> </ul>  | High | Low | JD | 2022/23 | Green |
| <p><b>CCSPF6 Loss of funds through fraud or misappropriation by Administrative staff</b></p> <p><b>If funds are lost through fraud or misappropriation by Administrative staff could lead to increase in employer contributions</b></p>                | <ul style="list-style-type: none"> <li>• Segregation of duties</li> <li>• Clear roles and responsibilities and schemes of delegation</li> <li>• Internal external audit</li> </ul>  | High | Low | LM | 2022/23 | Green |
| <p><b>CCSPF7 – Loss funds through fraud or misappropriation in investment related functions</b></p> <p><b>If funds are lost through fraud or misappropriation in investment related functions could lead to increase in employer contributions</b></p> | <ul style="list-style-type: none"> <li>• Segregation of duties</li> <li>• Clear roles and responsibilities and schemes of delegation</li> <li>• Internal/external audit</li> <li>• Regulatory control reports by external fund managers, custodians, fund administrators</li> <li>• FCA registration</li> <li>• Due diligence upon appointment</li> </ul> | High | Low | JD | 2022/23 | Green |
| <p><b>CCSPF8- Liquidity/cashflow risks – insufficient liquid assets with which to meet liabilities as they fall due</b></p> <p><b>If levels of liquidity are insufficient then pension payments may not be able to be met</b></p>                      | <ul style="list-style-type: none"> <li>• Weekly pension fund cash investments monitoring</li> <li>• SIP allocation to liquid assets</li> </ul>  | High | Low | JD | 2022/23 | Green |

|   |   |        |        |    |         |             |
|---|---|--------|--------|----|---------|-------------|
|   |   |        |        |    |         |             |
| <b>CCSPF 9- Volatility in employer contribution rates due to decrease/increase in valuation of assets/liabilities</b>   | <ul style="list-style-type: none"> <li>Engage with expert actuary to make appropriate assumptions and employ suitable mechanisms to mitigate unaffordable rises</li> <li>Regular monitoring of investment manager performance</li> <li>Diversified investment asset allocation</li> </ul> | High   | Medium | JD | 2022/23 | Amber       |
| <b>CCSPF10- Prolonged failure of investment managers to achieve their objective returns</b>   | <ul style="list-style-type: none"> <li>Regular investment monitoring by officers</li> <li>Regular presentation to pension fund committee</li> <li>Ability to sack managers</li> <li>Diversified investment strategy with a number of different managers</li> </ul>                        | Medium | Medium | JD | 2022/23 | Green/Amber |
| <b>CCSPF11- Price Risk- the volatility of the price of the quoted investments held exposes the fund to the risk of price movements in the market</b>                                | <ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> </ul>  | High   | Low    | JD | 2022/23 | Green       |
| <b>CCSPF 12- Interest rate risk- The risk of exposure to significant interest rate rises</b>  | <ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> </ul>  | Medium | Low    | JD | 2022/23 | Green       |
| <b>CCSPF 13 Discount Rate Risk- Volatility in the discount rate used inflates the level of liabilities to be paid</b>   | <ul style="list-style-type: none"> <li>Engage professionally qualified actuary who can mitigate the effects of abnormal discount rates</li> </ul>   | High   | Medium | JD | 2022/23 | Amber       |
| <b>CCSPF 14 Foreign Exchange Risk- The risk of fluctuation the value of foreign currencies ( the fund holds foreign investments whilst its liabilities are payable in sterling)</b> | <ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> <li>Good cashflow management</li> </ul>  | High   | Low    | JD | 2022/23 | Green       |



|  |   |      |        |    |         |       |
|--|---|------|--------|----|---------|-------|
|  |   |      |        |    |         |       |
| <b>CCSPF 15 – having suitably trained/experienced staff</b>  | <ul style="list-style-type: none"> <li>• Training, development and succession planning</li> </ul>   | High | Medium | JD | 2022/23 | Amber |
| <b>CCPF 16- Having suitably trained knowledgeable Pension Fund Committee Members/Local Pension Board Members</b> | <ul style="list-style-type: none"> <li>• CIPFA Knowledge and Skills framework</li> <li>• TPR Toolkit</li> <li>• Training Plan</li> <li>• Professional Advisors/Officers advising</li> </ul> | High | Low    | JD | 2022/23 | Green |
| <b>CCSPF 17- Having adequate cyber security to protect members’ data and ability to continue to pay benefits</b> | <ul style="list-style-type: none"> <li>• Comprehensive firewall and cyber security systems used by the Admin Authority and hosted system providers</li> </ul>                               | High | Low    | JD | 2022/23 | Green |
| <b>CCSPF 18 -</b>  |   |      |        |    | 2022/23 |       |

Asset Allocation as at 31st December 2021

APPENDIX 3

| Asset Class           | Target Asset Allocation | Fund Manager                            |  | Benchmark   | Performance target                |   |
|-----------------------|-------------------------|---|--|-------------|-----------------------------------|---|
|                       |                         | Passive                                 | Active   |             |                                   |   |
|                       |                         | Asset Allocation as at 31/12/21         | Asset Allocation as at 31/12/21                | Total       |                                   |   |
| Global Equities       | 61% +/- 5%              | 26%<br>Blackrock - Low Carbon Fund & EM | 46%<br>Wales Pension Partnership               | 72%         | MSCI All World Index Net          | +2% p.a. over rolling 3 year                      |
| Global Fixed Interest | 10% +/- 5%              | 4%<br>Blackrock                         | 5%<br>Wales Pension Partnership                | 9%          | Libor                             | LIBOR +3%   |
| Property              | 5% +/- 5%               | -                                       | 4%<br>Schroders, Partners & Invesco            | 4%          | IPD UK Pooled Property Fund Index | + 1% p.a. over rolling 3 year, 8% absolute return |
| Hedge Funds           | 0%                      | -                                       | 2%<br>Blackrock & EnTrustPermal                | 2%          | Libor                             | +4%   |
| Private Equity        | 5% +/- 5%               | -                                       | 5%<br>Harbourvest, Blackstone                  | 5%          | FTSE allshare                     | +3% p.a. over 3 year rolling                      |
| Infrastructure        | 5% +/- 5%               | -                                       | 3%<br>First Sentier, Blackrock                 | 3%          | 10% Absolute                      | 10% Absolute                                      |
| Residential Housing   | 5% +/- 5%               | -                                       | 1%<br>BMO, Man Group                           | 1%          | 6% Absolute                       | 6% Absolute                                       |
| Private Debt          | 5% +/-1%                | -                                       | 2%<br>Alcentra, CVC, GSAM Broad Street         | 2%          | 7% Absolute                       | 7% Absolute                                       |
| Timberland & Farmland | 3% +/-1%                | -                                       | 0%<br>Manulife - HTFF                          | 0%          | 8-11% Gross IRR                   | 8-11% Gross IRR                                   |
| Cash                  | 1% +/- 5%               | -                                       | 2%<br>In house and cash flows of fund managers | 2%          | 7day LIBID                        | =   |
| <b>TOTAL</b>          | <b>100%</b>             | <b>30%</b>                              | <b>70%</b>                                     | <b>100%</b> |                                   |   |

Fund Valuation as at 31/12/21

2,942,652,894

Libor to be replaced by Sterling Overnight Index Average (SONIA from 01/01/22)

Pension Fund – Budget 2022/23

Appendix 4

|                                | <b>Actual<br/>2020/21</b>           | <b>Probable<br/>2021/22</b>           | <b>Estimate<br/>2022/23</b>           |
|--------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| <b>Membership Numbers</b>      |                                     |                                       |                                       |
| Contributors                   | 20,388                              | 21,006                                | 21,600                                |
| Pensioners                     | 13,864                              | 14,311                                | 14,750                                |
| Deferred                       | 11,829                              | 12,234                                | 12,670                                |
|                                | <u>46,081</u>                       | <u>47,551</u>                         | <u>49,020</u>                         |
| <br>                           |                                     |                                       |                                       |
|                                | <b>Actual<br/>2020/21<br/>£'000</b> | <b>Probable<br/>2021/22<br/>£'000</b> | <b>Estimate<br/>2022/23<br/>£'000</b> |
| <b>Income</b>                  |                                     |                                       |                                       |
| Employer Contributions         | 81,813                              | 84,049                                | 87,500                                |
| Employee Contributions         | 20,199                              | 21,167                                | 22,784                                |
| Transfers In                   | 3,092                               | 4,800                                 | 4,500                                 |
| Other Income                   | 50                                  | 7                                     | 10                                    |
| Investment Income              | 18,347                              | 25,000                                | 30,000                                |
|                                | <u>123,501</u>                      | <u>135,023</u>                        | <u>144,794</u>                        |
| <br>                           |                                     |                                       |                                       |
| <b>Expenditure</b>             |                                     |                                       |                                       |
| Pensions Payable               | 70,195                              | 71,877                                | 76,375                                |
| Lump Sum Benefits              | 11,417                              | 15,000                                | 15,000                                |
| Death Grants                   | 3,127                               | 2,500                                 | 2,500                                 |
| Refunds                        | 113                                 | 108                                   | 100                                   |
| Transfers Out                  | 3,934                               | 2,500                                 | 3,000                                 |
|                                | <u>88,786</u>                       | <u>91,985</u>                         | <u>96,975</u>                         |
| <br>                           |                                     |                                       |                                       |
| <b>Administrative Expenses</b> |                                     |                                       |                                       |
| Support Services               | 790                                 | 790                                   | 790                                   |
| Actuarial Fees                 | 65                                  | 65                                    | 90                                    |
| Consultancy Service            | 101                                 | 200                                   | 120                                   |
| External Audit Fees            | 43                                  | 43                                    | 43                                    |
| Performance Monitoring Fees    | 14                                  | 15                                    | 15                                    |
| Printing & Publications        | 8                                   | 20                                    | 20                                    |
| Software Licences              | 262                                 | 262                                   | 270                                   |
| Membership Fees                | 30                                  | 30                                    | 30                                    |
| Legal Fees                     | 22                                  | 21                                    | 21                                    |
| Other                          | 94                                  | 110                                   | 110                                   |
| Pension Fund Committee         | 3                                   | 1                                     | 6                                     |
| Pension Board                  | 3                                   | 1                                     | 6                                     |
| Training                       | 10                                  | 10                                    | 10                                    |
| Wales Pension Partnership Fees | 88                                  | 107                                   | 165                                   |
|                                | <u>1,533</u>                        | <u>1,675</u>                          | <u>1,696</u>                          |
| <br>                           |                                     |                                       |                                       |
| <b>Investment Expenses</b>     |                                     |                                       |                                       |
| Management Fees                | 4,887                               | 5,000                                 | 5,000                                 |
| Performance Fees               | 5,197                               | 5,000                                 | 5,000                                 |
| Custody Fees                   | 266                                 | 300                                   | 330                                   |
| Transaction Costs              | 1,631                               | 1,800                                 | 1,800                                 |
|                                | <u>11,981</u>                       | <u>12,100</u>                         | <u>12,130</u>                         |