Complete Agenda

Democratic Service
Swyddfa'r Cygor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

11.00 am, THURSDAY, 25TH MARCH, 2021

Location

Virtual Meeting

Contact Point

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(DISTRIBUTED 17/03/21)

PENSIONS COMMITTEE

MEMBERSHIP (7)

Plaid Cymru (4)

Councillors

Aled Wyn Jones	Peredur Jenkins	Ioan Thomas
Simon Glyn		

Independent (2)

Councillors

John Brynmor Hughes	John Pughe Roberts

Individual Member (1)

Councillor
Stephen W. Churchman

Co-opted Members

Councillor Robin Wyn Williams	Isle of Anglesey County Council
Councillor Goronwy Owen Edwards	Conwy County Borough Council

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1.	**APOLOGIES** To receive any apologies for absence	
2.	**DECLARATION OF PERSONAL INTEREST** To receive any declaration of personal interest	
3.	**URGENT ITEMS** To note any items which are urgent business in the opinion of the Chairman so that they may be considered	
4.	**MINUTES** The Chairman shall propose that the minutes of the meeting of this committee held on 21st January 2021, to be signed as a true record	4 - 7
5.	**TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2021/22** To consider the report, adopt the strategy and confirm pooling arrangements	8 - 25
6.	**WALES PENSION PARTNERSHIP BUSINESS PLAN** To consider and approve the Business Plan	26 - 43
7.	**RISK REGISTER** To consider the report	44 - 59

PENSIONS COMMITTEE 21-01-21

Attendance: Councillor Peredur Jenkins – Chair
Councillor Stephen Churchman – Vice-chair

Councillors: Goronwy Edwards (Conwy County Borough Council), Simon Glyn, John Brynmor Hughes, Aled Wyn Jones, John Pughe Roberts, Ioan Thomas, and Robin Williams (Isle of Anglesey Council)

Officers: Dafydd Edwards (Head of Finance Department), Delyth Jones -Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer).

Others invited: Sharon Warnes (observing – Pensions Board Member)

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the meeting held on 14 October 2020 as a true record.

5. BUDGET APPROVAL FOR 2021/22

Submitted - a report by the Investment Manager relating to a request for the Committee to approve the budget for the 2021-2022 financial year, for the Pension Administration and Investment Sections.

It was noted that 2019/2020 was the first time for the budget for the Units to be submitted to the Pensions Committee for approval, and it was now intended to submit the information annually. The 2019/20 budget was amended according to changes to the staffing structure of the Pensions Administration and Investment Sections - there were only minor adjustments to the 2021/22 budget, with the basic budgets remaining the same.

RESOLVED to approve the 2021/22 financial year budget for the Pensions Administration and Investment sections.

6. TREASURY MANAGEMENT 2020/21 – MID YEAR REVIEW

Submitted, for information – a report highlighting the Council's actual Treasury Management activity during the current financial year. It was highlighted that, during the six months between 1 April and 30 September 2020, the Council's borrowing activity had remained within the limits originally set. There were no defaults by banks in which the Council deposited money. It was added that it was estimated that the Council's investment income was lower than the expected income in the 2020/21 budget.

In the light of the pandemic crisis and the likelihood of unexpected demands on cash flow, the Council had kept more cash available at very short notice than was normal. Liquid cash had been diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

It was explained that £10m of the Council's investments were held in externally managed strategic pooled property and equity funds where short-term security and liquidity were lesser considerations. Consequently, the objectives were realised through regular revenue income and long-term price stability.

It was reported that the Council measured the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates. It was noted that the Bank rate, which was 0.75% in February, now stood at 0.1%, but interest earned from short dated money markets would be significantly lower. Attention was drawn to the interest rate indicators, and it was noted that the risk indicator *'upper limit on one-year revenue impact of a 1% rise in interest rates'* complied due to the impact of poor interest rates.

With the weak and unstable outlook, it was reported that the Council was investing as must as possible in a challenging period; was continuing to do its best to make gains by spreading risk, but was also operating carefully in line with Arlingclose's advice.

Members expressed their thanks for the report.

In response to a question about the outlook, it was noted that the report had been written in September 2020

RESOLVED to accept the report for information.

7. BAILLIE GIFFORD GLOBAL ALPHA PARIS ALIGNED FUND

Submitted - the report of the Investment Manager requesting the Committee's approval to agree to the movement of its current Baillie Gifford core fund to the Baillie Gifford Global Alpha Paris Aligned fund. Members were reminded that Baillie Gifford had submitted information on the Alpha Paris Aligned fund in a meeting of the Investment Panel on 14 October 2020. It was explained that the Global Alpha Paris Aligned Fund was a lower carbon variant of the core model and was aligned to the objectives of the Paris Agreement and the investment principles of the Gwynedd Pension Fund.

It was reiterated that all the constituent pension funds that were part of the Global Growth Fund must agree to the transfer. Once the funds had made their decision locally, an official decision would be made by the Joint Committee. It was reported that this was a positive step forward, and that more information would follow about further improvements.

Members expressed their thanks for the report.

RESOLVED to approve the movement of the current holdings in the Baillie Gifford Core Fund to the Baillie Gifford Global Alpha Paris Aligned fund which forms part of the WPP Global Growth fund in accordance with the discussion at the most recent Investment Panel.

8. SETTING OBJECTIVES FOR INVESTMENT CONSULTANTS

Submitted - the report of the Investment Manager, reporting on progress against current objectives and requesting that the Committee reviewed and approved the objectives for 2020/21. It was reported, following a review of the of the investment consulting and fiduciary management markets, that the Competition and Markets Authority had noted that Pension Scheme Trustees should set objectives for their investment consultants, and clearly stipulate the expectations upon them.

Reference was made to the current objectives and the progress made against those objectives during 2019/20. It was noted that the objectives had been operational since December 2019, but had not been formally accepted by the Committee despite the compliance statement having been signed by the Committee Chair by the required deadline (7 January 2021).

It was reported that Hymans was delivering good work, providing comprehensive reports for the investment panel, offering practical and prompt advice, responses and correspondence, and performing in accordance with the objectives.

Members expressed their thanks for the report, and an observation was made that it was expected that the objectives were submitted annually to the Pension Committee in accordance with the Act's requirements.

Mr Paul Potter from Hymans was thanked for his advice and support to the Pension Fund over the past 12 years. He was wished a happy retirement.

RESOLVED to accept the report and to formally approve the objectives that had already been set for the Fund's investment consultants.

9. PUBLIC SECTOR EXIT PAYMENT REGULATIONS 2020

Submitted for information – the report of the Pensions Manager providing an update on the Restriction of Public Sector Exit Payments Regulations that came into force on 4 November 2020. Attention was drawn in the report to the impact of the recent reforms on public sector workers, and to further (draft) amendments that had been proposed by the Ministry of Housing, Communities and Local Government which were expected to come into force during spring 2021.
It was highlighted that the reforms were creating confusion and additional work pressures, and in response to these national factors, the Fund's administrative software provider had to update the system to calculate the new options.

During the ensuing discussion, the following observations were noted:

- Exit payment regulations were an extremely complex and technical area
- The decision was out of the Authority's hands, and there was therefore no choice in the matter

In response to an observation that the exit payments cap would not be index linked, and whether the cap was likely to be reviewed, it was noted that there would be no further amendment or review of this.

In response to a question on whether a lump sum could be used to avoid the cap threshold, it was noted that if there were further changes to the regulations, a lump sum could be used to receive reduced benefits

RESOLVED to accept the report for information

10. NEW COMMUNICATION POLICY STATEMENT

Submitted - the report of the Pensions Manager, requesting that the Committee adopted the new Communication Policy Statement. It was explained that the Fund must provide, maintain and publish a Communication Policy Statement in accordance with Regulation 67 of the Local Government Pension Scheme (LGPS) Administration Regulations. It was added that the communication policy must be revised and republished following any change in policy. Following various changes to communication methods recently, the statement had to be amended to include current communication methods and add the use of Microsoft Teams, I-Connect and the Self-service resource. It was noted that Gwynedd's policy had not been updated since 2010. The policy statement had been submitted to the Pension Board on 23.11.20 and the policy had been revised in accordance with their comments.

In response to an observation regarding communication with prospective Members, it was noted that it was a matter for each employer to note that membership of the scheme was one of the benefits of the post.

In response to a question, it was confirmed that the communication policy statement was consistent with Gwynedd Council's Language Policy.

During the ensuing discussion, the following observation was noted:

- There was a need to consider communication methods with prospective employers

RESOLVED to approve the adoption of the new Communication Policy Statement

The meeting commenced at 2:00 and concluded at 3:05pm

Agenda Item 5

MEETING:	**PENSIONS COMMITTEE**
DATE:	**25 MARCH 2021**
TITLE:	**TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2021/22**
PURPOSE:	**To ask the Pensions Committee to adopt the strategy and confirm pooling arrangements**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

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1. THE PENSION FUND'S INVESTMENT STRATEGY

In accordance with the Welsh Assembly Government's Statutory Guidance on Local Government Investments, which requires an authority to produce an Annual Investment Strategy, it is considered best practice for the Gwynedd Pension Fund (the "Fund") to adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2021/22, as amended for the purpose of the Pension Fund (which is attached as Appendix A). Gwynedd Council's TMSS for 2021/22 was approved by the full Council on 4th March 2021.

2. THE PENSION FUND'S CASHFLOW

The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceeds the pensions, transfers out and costs paid out. Once there is sufficient surplus cash, it is transferred to one or more of the Fund's investment managers. Normally up to around £5 million is held back for cashflow purposes, in particular in respect of pension payments and funding calls from the private equity funds. However in the past, due to known commitments, there have been times when the surplus cash held in the Fund's bank accounts with Gwynedd Council has been over £25 million.

3. POOLING IN ORDER TO MAXIMISE RETURNS

Currently all the Fund's surplus cash is pooled with the cash balances of Gwynedd Council and invested with counterparties in accordance with Gwynedd Council's Treasury Management Strategy Statement. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund based on the Fund's daily balances over the year. This can continue if the Pensions Committee requests that the Pension Fund's surplus cash balances are pooled with the Council's cash balances. It is apparent that by pooling, the Fund can take advantage of economies of scale, and as a result can attract better interest rates, reduce bank costs and avoid the duplication of work within the Council. The report approved by the full Council on 4th March 2021 included agreement to continue the pooling arrangement with the Pension Fund following any request from the Pensions Committee.

4. RECOMMENDATIONS

4.1 The Pensions Committee is asked to adopt the attached Treasury Management Strategy Statement for 2021/22, as amended for the Gwynedd Pension Fund (Appendix A).

4.2 The Pensions Committee is also asked to make a request to the Council (even though it is not a separate body) to allow the Pension Fund's surplus cash balances to be pooled with the Council's general cashflow from 1 April 2021 onwards.

APPENDIX A

Treasury Management Strategy Statement 2021/22

1. Introduction

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

1.3 In accordance with the WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, change in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

2- 5 Not relevant for the Pension Fund

6. Treasury Investment Strategy

6.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £23.2 and £110.4 million, and similar levels are expected to be maintained in the forthcoming year.

This includes the cash balances of Gwynedd Pension Fund which are pooled with the Council's funds for investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds.

Loans to organisation providing local public services and purchases of investment property are not normally considered to be treasury investments, and therefore these are covered separately in **Appendix 3**.

6.2 Objectives

Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.3 Negative interest rates

The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

6.4 Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will aim to continue to hold more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This represents a continuation of the strategy adopted in 2015/16.

6.5 Business models

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.6 Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£5m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

This table must be read in conjuction with the notes below.

6.7 Credit rating

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

6.8 Government

Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

6.9 Secured investments

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

6.10 Banks and Building Societies (unsecured)

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

6.11 Registered providers (unsecured)

Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

6.12 Money Market Funds

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

6.13 Strategic Pooled funds

Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

6.14 Real Estate Investment Trusts

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

6.15 Other investments

This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

6.16 Operational bank accounts

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £900,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

6.17 Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

6.18 Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

6.19 Investment limits

The Council's revenue reserves available to cover investment losses are forecast to be £43 million on 31st March 2021. In order that no more than 23% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £500,000 in operational bank accounts count against the relevant investment limits.

Table 4: Additional limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

6.18 Liquidity management

The Council uses prudent cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on the basis that short-term borrowing is used to cover its financial commitments if required. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread it's liquid cash over at least four providers (e.g bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

7.1 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.)

and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit score	6.0

7.2 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£10m

7.3 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£635,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£24,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

7.4 Maturity structure of borrowing - not relevant for the Pension Fund

7.5 Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£20m	£20m	£20m

8. Related Matters

8.1 The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

8.2 Financial Derivatives

In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

8.3 External Funds

Included within the Council balances is the balances for Gwynedd Pension Fund, Gwe, Welsh Church Fund and North Wales Economic Ambition Board. The interest income is allocated to each instiution based on daily balances.

8.4 Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

9. Welsh Government Guidance

Further matter required by the Welsh Government Guidance are included in **Appendix 3**.

10. Financial Implications

10.1 The budget for investment income in 2021/22 is £0.335 million based on an average investment portfolio of £48 million at an interest rate of 0.01% for deposits and £10 million of pooled funds at a return of 4%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

11. Other Options Considered

11.1 The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Appendix 1 – Arlingclose Economic & Interest Rate Forecast December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix 2- Existing Investment Portfolio Position

	31.12.2020 Actual Portfolio £m	31.12.2020 Average Rate %
Treasury investments:		
Banks and Building societies (unsecured)	14.9	0.21
Government (incl. Local authorities)	22.0	0.06
Money Market Fund	30.5	0.14
Pooled funds	10.0	3.98
Total treasury investments	**77.4**	**0.60**

Appendix 3 – Additional requirements of Welsh Government Investment Guidance

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

Contribution: The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:

- treasury management investments support effective treasury management activities,

Climate change: The Council's investment decisions consider long-term climate risks to support a low carbon economy to the extent that if a low carbon investment equivalent is available with the same return, then the low carbon investment would be preferred by the Council.

Specified investments: The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Loans: not relevant for the Pension Fund

Non-specified investments: Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table 3b; the Council confirms that its current non-specified investments remain within these limits.

Table 3b: Non-specified investment limits

	Cash limit
Units in pooled funds without credit ratings or rated below A-	£20m
Shares in real estate investment trusts	£10m
Total non-specified investments	£30m

Non-financial investments: not relevant for the Pension Fund

Liquidity: For financial intestments that are not treasury management investments, or loans, the Council has procedures in place to ensure that the funds are prudently committed for a maximum period of time. Isio mwy fan hyn.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by the Head of Finance and the Investment Manager on a regular basis.

Borrow in advance of need: not relevant for the Pension Fund

Commercial deals: not relevant for the Pension Fund

Capacity, skills and corporate governance: Elected members and officers were invited to a presentation by Arlingclose on 27th January 2021. The information and discussion at the presentation ensures that the members have the appropriate skills and information to enable them to:

- Take informed decisions as to whether to enter into a specific investment.
- To assess individual assessments in the context of the strategic objectives and risk profile of the Council
- Understand how the quantum of these decisions have changed the overall risk exposure of the local authority

Officers also regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, ACA and other appropriate organisations.

Agenda Item 6

MEETING:	**PENSIONS COMMITTEE**
DATE:	**25 MARCH 2021**
TITLE:	**WALES PENSION PARTNERSHIP BUSINESS PLAN**
PURPOSE:	**To approve the Business Plan**
RECOMMENDATION:	**APPROVE BUSINESS PLAN**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

The Wales Pension Partnership has updated its Business Plan and is seeking approval from the individual committees within the partnership.

The Business Plan was introduced to the Joint Governance Committee for approval on March 24th.

2. BUSINESS PLAN

The Wales Pension Partnership business plan details how the partnership is going to achieve its goals. The business plan is constantly monitored and is 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 over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

It lays out the plan from a marketing, financial and operational viewpoint, outlining the priorities for the partnership during 2021-2024 and ensuring that resources are allocated to meet its objectives.

The Business Plan is attached for your review in Appendix 1.

3. RECOMMENDATION

To approve the Business Plan.

Wales Pension Partnership

Business Plan

2021-2024

Contents

Introduction

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

- 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:

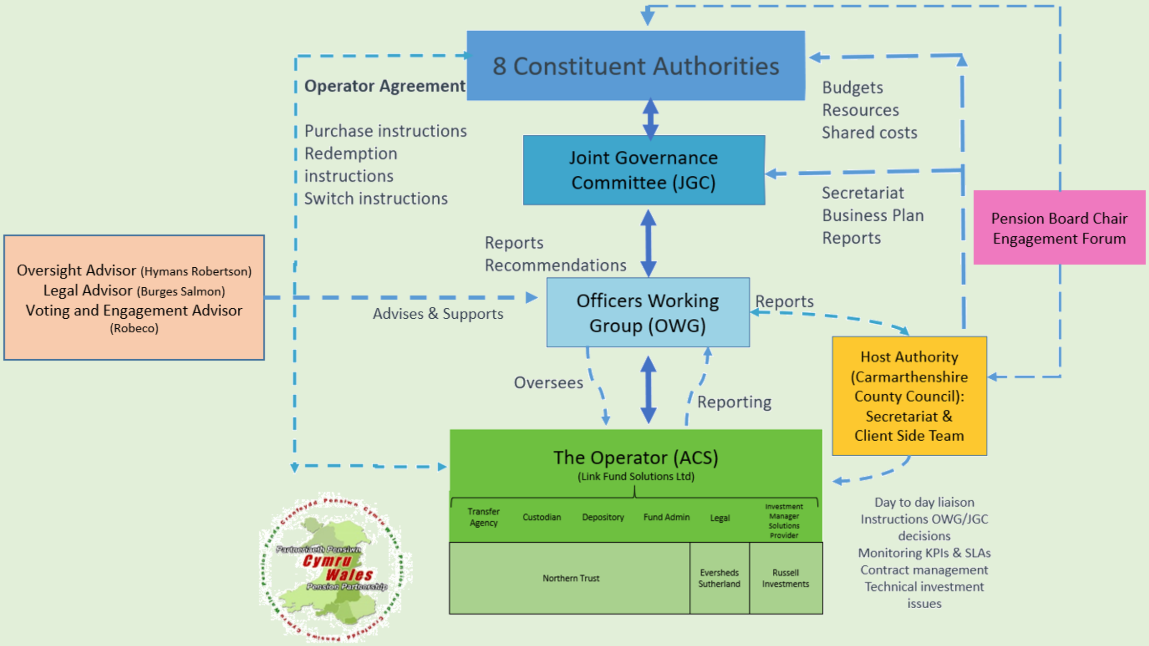
Governance

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:

- Deliver on its objectives
- Be flexible and adaptive
- Demonstrate its commitment to the highest standards of governance
- Meet the needs of its stakeholders
- Foster collaboration and communication within the WPP
- Be transparent
- Be cost effective

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 at its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillor and officer representatives from the Constituent Authorities.

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

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

Risk Management

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

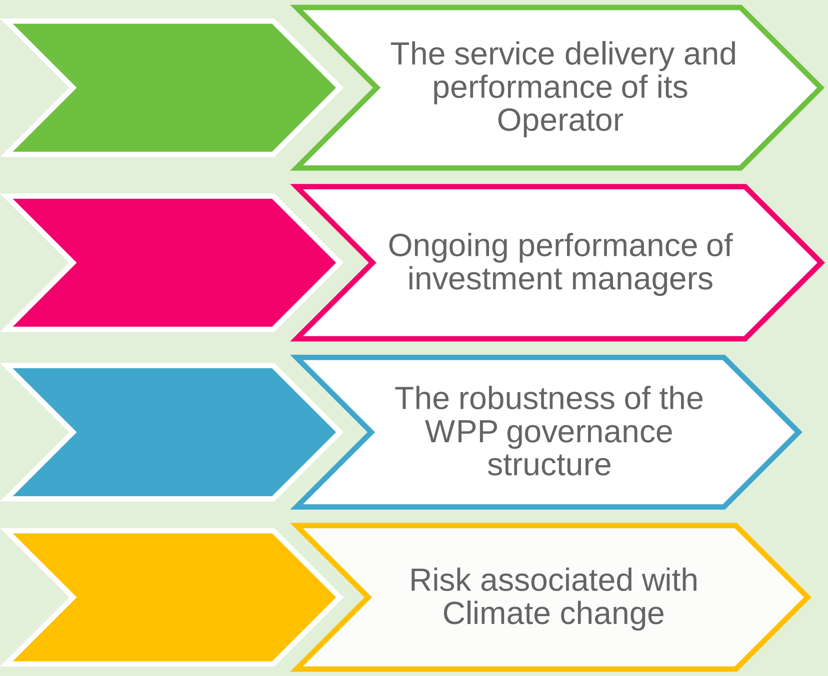
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

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

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

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



Objectives

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

1. To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
2. To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
3. To put in place robust governance arrangements to oversee the Pool's activities.
4. 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.
5. To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

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

Beliefs

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

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

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

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

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

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

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

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

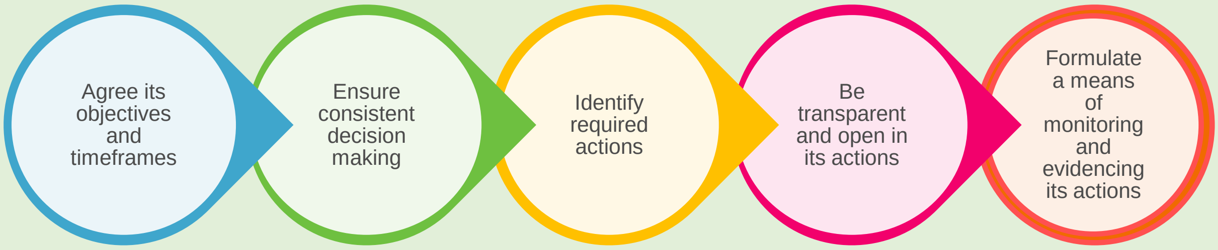
Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.

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

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

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:



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

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

Work Plan

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

Governance

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

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

Ongoing Establishment

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

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

Operator Services

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

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

Communication and Training

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

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

Investments and Reporting

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

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

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

Resources, budget and fees

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

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

Training Plan

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

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

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

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

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

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

Product Knowledge

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

Responsible Investment

- Responsible Investment Indices and Solutions
- Responsible Investment Reporting

Investment Performance and Risk Management

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

Guidance, Regulatory Requirements and Best Practice

- Good Governance
- Cost transparency

Budget

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

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

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

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

Investments & Performance

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

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

Equity Sub-Funds

Global Growth Fund

Managed by Link

Portfolio Value: £2bn

Global Opportunities Fund

Managed by Russell Investments

Portfolio Value: £2bn

UK Opportunities Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

* Portfolio Values as at launch date

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

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Portfolio Value: £0.4bn

Global Government Bond Fund

Managed by Russell Investments

Portfolio Value: £0.5bn

Multi-Asset Credit Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

Global Credit Fund

Managed by Russell Investments

Portfolio Value: £0.8bn

UK Credit Fund

Managed by Link

Portfolio Value: £0.5bn

* Portfolio Values as at launch date

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

Contact Details

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

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Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

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

The website can be found here:

https://www.walespensionpartnership.org/

MEETING:	Pension Committee
DATE:	25 March 2021
TITLE:	Risk Register
PURPOSE:	To understand the risks relating to the Pension Fund and scrutinise the Risk Register
AUTHOR:	Delyth Jones-Thomas, Investment Manager Meirion Jones, Pensions Manager

1. INTRODUCTION

The Gwynedd Pension Fund has a Risk Register in order to identify and monitor significant risks. The Risk Register also includes the processes in place to mitigate the risks where possible.

A copy of the first risk register was shown to the Pension Board in the meeting on the 5th April 2017. It was updated in 2018, 2019 and again now in 2021 in line with comments received from the Board and changes that have taken place in the meantime.

We are now sharing the register with the Pensions Committee so that members can understand the risks to the Pension Fund and also give them an opportunity to bring any comments or proposals to the meeting.

A copy of the current Risk Register is attached at Appendix A

It is a working document and will be reviewed regularly and updated for any significant risks that develop.

2. THE COMMITTEE'S ROLE

The members of the Committee are asked to scrutinise the risk register and bring any comments or suggestions to the meeting.

GWYNEDD PENSION FUND

RISK REGISTER: Version 5 – March 2021

Risk Assessment Matrix

Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Assessment of Impact

		Financial	Reputation	Stakeholder/Customer
1	Negligible	< £35k	Minimal and transient loss of public trust.	Minimal impact on stakeholders or customers.
2	Minor	£35k - £300m	Slight loss of trust with no lasting impact. Little adverse publicity.	Minor impact on stakeholders or customers and customer dissatisfaction. Limited service disruption.
3	Moderate	£300m - £3m	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	No lasting impact. Moderate disruption to stakeholders, moderate impact on customers and customer dissatisfaction. Moderate service disruption.
4	Major	£3m - £30m	Significant loss of trust and receives local media attention with potential for lasting impact.	Significant service disruption and opposition from stakeholders and/or customers. Threat of legal action.
5	Catastrophic	> £30m	Significant loss of trust and receives national media attention with potential for persisting impact.	Major service disruption and significant opposition from stakeholders and/or customers. Legal action. Long term public memory.

Assessment of Likelihood			
		Probability Descriptors	Numerical Probability
1	Rare	This will probably never happen/recur.	Under 1%
2	Unlikely	Do not expect it to happen/recur, but it is possible it may do so.	1% - under 5%
3	Possible	Might happen or recur occasionally.	5% - under 20%
4	Likely	Will probably happen/recur, but it is not a persistent issue or circumstances	20% - under 50%
5	Almost Certain	Will undoubtedly happen/recur, possibly frequently. A project more likely to fail than succeed.	Over 50%

Risk No.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plan	Time scale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
1. Governance											
1.1	The Administering Authority does not have appropriate governance arrangements including the requirement for a Pension Board resulting in: - Non-compliance with legislation or best practice - Inability to determine policy, make effective	4	3	12	Gwynedd Pension Fund (GPF) has a Governance Policy Statement and a Governance Compliance Statement as required by the LGPS Regulations 2008. Both statements are reviewed and updated when required. Scheme employers are consulted when changes are proposed to ensure the policy is still appropriate.	3	1	3	Head of Finance Investment Manager		

	decisions and deliver services. - Risk to reputation				The Statement is available on the Gwynedd Pensions website: www.gwynedd.gov.uk GPF has a Pensions Committee to discharge the Council's duties as Administering Authority of the Pension Fund. Gwynedd Pension Board has been established as required by the Public Service Pension Act 2013. Support and training are being provided to ensure that the members of the board have the knowledge and skills to undertake their role.						
1.2	Conflict of Interests affect, or are seen to affect decision making	2	2	4	Committee and Board members are aware of the legal responsibilities All members of the Pension Board declare any possible conflicts and conflicts at the beginning of each meeting.	1	2	2	Pension Committee Chairman of the Pension Board Head of Finance		
1.3	The Pensions Committee and the Pension Board are unable to fulfil their responsibilities effectively resulting in:	4	3	12	The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills and regular training is provided to ensure that	3	2	6	Investment Manager	The new members of the Committee and the Board have received basic training.	

	- Non-compliance with legislation or best practice - Inability to determine policy, make decisions and / or deliver service. - Risk to reputations.				members have the level of understanding required. A training and induction programme is available for new Committee and Board members. The Fund subscribes to relevant bodies (i.e. CIPFA and LAPFF) and sends representatives to major conferences. Committee and Board members are made aware of and adhere to the Governance Compliance Statement and are encouraged to identify training requirements.					Relevant training is offered to Committee members and board members.	
2. Funding and Investments											
2.1	The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received resulting in: Poor Fund performance Financial loss Increased employer contributions	5	3	15	GPF Investment Strategy is set in accordance with LGPS investment regulations. The Investment Strategy takes the Fund's liabilities into account. The Investment Strategy is approved and reviewed by the Pensions Committee. GPF uses an external investment advisor who provides specialist guidance to the Investment Panel	2	2	4	Head of Finance Investment Manager		

					and Pensions Committee regarding the Investment Strategy. Members and Officers are encouraged to challenge advice and guidance received.						
2.2	The Pension Fund has insufficient assets to meet its long term liabilities. The Pension Fund's investment strategy fails to produce the required returns. Performance is damaged by: • Fund Managers failure to produce the required returns. • Fund managers damage performance by failing to make organisational changes or manager departures. Resulting in • Financial loss • Insufficient funds available to meet future obligations	5	3	15	Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2019 actuarial valuation includes provision for the fund to achieve full funding over 17 years. The 31 March 2019 valuation showed that there was 108% provision for the Gwynedd Fund. GPF investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. Fund-specific benchmarks and targets are set. Fund assets are kept under regular review as part of the Fund's performance management process. Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly	2	2	4	Investment Manager	Although the fund was 108% funded as at 31 March 2019 the fund still uses prudent assumptions for the valuation.	

					against the benchmark and performance objectives by the Investment Panel. Appropriate action may be taken if a Fund Manager is underperforming. The depth of expertise in the fund manager's team will be assessed as part of the appointment process. Performance targets are agreed by the Pensions Committee and are based upon recommendations for the external advisor. The Pensions Committee have the power to terminate a fund manager's contract if it is deemed that the manager has not performed as expected or there are concerns about future performance due to organisational change or manager departures.						
2.3	The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements resulting in: Financial loss	5	3	15	The Fund aims to ensure best value and to minimise exposure to risk as follows: The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.	2	2	4	Investment Manager		

					Investment managers provide invoices for fees and disclosure of fees within funds. Specialist services such as transitions or currency transfers are considered where appropriate in order to reduce costs. Banking and custodian arrangements are reviewed and retendered as appropriate.						
2.4	Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager resulting in: Financial loss	4	3	12	The Fund considers the financial stability of managers during the appointment process and the situation is kept under review. GPF uses a global custodian service to ensure that investment of assets is segregated from custody of assets. Legal requirements for fund managers are set out in their management agreements. Fund managers are required to be fully compliant with Financial Conduct Authority (FCA), the Pensions Regulator (TPR) and other regulatory requirements.	2	3	6	Investment Manager		

					The Fund's custodian can deal provide a transition service if a fund manager is being wound up.						
2.5	Market risk - Market crash leading to failure to reduce the deficit resulting in: Financial loss Increased employer contribution costs.	5	4	15	The Fund is diversified across a range of asset classes to mitigate the impact of poor performance in an individual market segment. Investment performance and monitoring arrangements exist which provide the investment officers with the flexibility to rebalance the portfolio in a timely manner. The long term nature of the liabilities provides some mitigation, in that markets fluctuate down and up which significantly reduces the impact.	3	3	9	Investment Manager		
2.6	Liquidity risk - insufficient funds to meet liabilities as they fall due.	4	3	12	Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.	4	2	8	Investment Manager		
2.7	Interest rate risk- Arises from the risk that the fair	4	3	12	The Fund's interest rate risk is routinely monitored in accordance	4	2	8	Investment Manager		

	value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates				with the Fund’s risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.						
2.8	Currency risk- the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates which could result in: Funding level decreases. Increase in employers' costs as employer contribution rates would need to be raised.	4	3	12	Establish & review strategic asset allocation (within regions).	4	2	8	Investment Manager		
2.9	The Fund fails to adequately account for climate change, climate risk and environmental, social and governance (ESG) factors that can lead to: Financial loss to assets within the fund	4	3	12	Establish and develop a suitable climate risk policy Regularly engage and challenge managers on how they account for risk / climate change and ESG factors.	4	2	8	Investment Manager	Produce a suitable climate risk policy	2021

	Reputation risk to Pension Fund										
2.10	Pay and price inflation are significantly more than anticipated leading to: An increase in liabilities which is higher than the previous actuarial valuation estimate.	3	3	9	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Employers pay for their own salary awards. The Fund has committed to investments in infrastructure funds which helps to mitigate this risk.	2	3	6	Investment Manager		
2.11	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing An increase in liabilities which exceeds the previous valuation estimate.	3	5	10	Employers are charged the extra capital cost of non-ill health retirements following each individual decision. Employer ill health retirement is monitored. Small employers are required to take out the ill health retirement insurance provided by the Fund.	1	5	5	Investment Manager		
2.12	The average life expectancy of pensioners is greater than assumed in actuarial assumptions. An increase in liabilities which exceeds the previous valuation estimate.	4	4	16	Life expectancy assumptions are reviewed at each valuation. The Fund uses bespoke assumptions based on the life expectancy across Gwynedd Pension Fund's area.	2	4	8	Investment Manager		

					Mortality assumptions include some allowance for future increases in life expectancy.						
2.13	Scheme employers' contributions to the Fund are not received or are processed or recorded completely and accurately Increased costs across all the remaining scheme employers	4	3	12	Formal timescales for receipt of contributions. The team monitor the receipt of contributions to the fund closely. The team monitor the receipt of contributions to the fund. The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately. Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.	2	2	4	Investment Manager		
2.14	An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. Departing employer does not fully meet its liabilities which leads to increased costs across the remaining scheme employers.	4	3	12	The risk is mitigated by: Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required.	3	3	9	Head of Finance Pensions Manager	Identified 7 employers with no Admission Agreements. Have taken steps to rectify this.	2021

					Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. The actuarial valuation attempts to balance recovery period with risk of withdrawal. If necessary, appropriate legal action will be taken.						
2.15	A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom and Choice" legislation resulting in: Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities.	4	3	12	The risk is mitigated by: Effective communication of the benefits of remaining in the LGPS. Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability. Requirement to seek financial Advice if transfer exceeds £30,000	2	3	6	Pensions Manager Investment Manager		
3. **Custody**											
3.1	Failure of custodian leading to losses which results in: Failure to reduce the deficit Financial loss	5	3	15	Fund assets are protected in the event of insolvency of the custodian. The custodian must adhere to FCA and TPR financial regulations.	2	2	4	Investment Manager		

4.	**Wales Pension Partnership**										
4.1	The Gwynedd Pension Fund does not have sufficient resources available to work with and provide the necessary information to the partnership.	4	3	12	Staff levels are monitored to ensure that the requirements of the partnership are met.	4	2	8	Head of Finance		
5.	**Communication**										
5.1	Insufficient communication and engagement with the Pension Fund Stakeholders. Non-compliance with legislation and/or best practice. Inability to determine policy, make effective decisions and/or deliver service. Reputation risk.	3	3	9	A Communications Policy is in place. The Gwynedd Pension Fund website is kept up to date. Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis. Meetings are held periodically with the Fund's Employing Authorities. Annual Benefit Statements and newsletters are sent annually to active and deferred Fund members. The contact list for employers is updated regularly. An AGM is held for employers and Trade Unions.	3	2	6	Pensions Manager	Gwynedd Pension Fund website requires revision	2022

					The annual report and accounts are published on the Gwynedd Pensions website. A Member Self Service website is available to members to calculate their own benefits.						
6.	**Data Protection**										
6.1	The Pension Fund systems and data may not be secure and appropriately maintained. - Loss of sensitive data. - Reputation risk. Financial loss arising from legal action.	3	2	6	It is a mandatory requirement for all employees to undertake Data Protection training and to adhere to Gwynedd's data protection policy. Egress (A secure email system) email system is used where possible to send emails to employers not listed on the Secure Email Organisation list.	3	1	3	Pension Manager		
7.	**Pension Administration**										
7.1	Pension benefits are not paid: - Risk of financial loss arising from compensation claims - Damage to reputation.	4	2	8	The payroll system is set up to pay pensioners monthly. Disaster recovery plan in place with Heywood which will restore data within 7 days in the event of system failure.	4	1	4	Pension Manager		
7.2	Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error.	3	2	6	Information and instructions are only accepted from authorised sources. Employers are required to review and confirm membership records	3	1	3	Pension Manager		

	- Unauthorised payments under the Finance Act 2004. - Risk of financial loss and damage to reputation.				annually or monthly using the secure data portal iConnect Benefit calculations are checked by senior colleagues. All transactions comply with DCC financial regulations and are subject to independent authorisation. Members approaching 75 are separately identified monthly.						
7.3	Failure of employing authority to provide timely and accurate member data resulting in delays or errors with benefit payments. Risk of financial loss and damage to reputation.	3	3	9	Administration Strategy is in place and employer duties are clearly identified. Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.	3	3	9	Pension Manager		
7.4	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: - Incorrect payments being made. Risk of financial loss and damage to reputation	3	3	9	LGA/External training. Project work approach to implementation of legislative changes. In house training for all staff.	2	2	4	Pension Manager	Additional resources required to implement McCloud remedy	2022
7.5	Pension benefits continue to be paid to deceased pensioners.	2	3	6	All pensioners are contacted annually.	2	2	4	Pension Manager		

	Risk of financial loss and damage to reputation.				Pensioners are incorporated into National Fraud Initiative. Further targeted checks are conducted with credit reference agencies as appropriate. Monthly mortality screening is undertaken and any positive matches are ceased immediately Tell Us Once service is in operation						
7.6	System failure - Loss of sensitive data. - Reputation risk. Financial loss arising from legal action.	5	2	10	The system is backed-up daily. A full disaster recovery plan is in place and tested annually (In line with Gwynedd Council's policy).	5	1	5	Pension Manager		
7.7	Member Self Service failure - Reputation risk.	5	2	10	Hosted by software provider Heywood	5	1	5	Pension Manager		
7.8	Cyber Attack - Loss of sensitive data. - Systems damaged or destroyed. - Reputation risk. Financial loss arising from legal action.	3	3	9	Firewall in operation Software regularly updated with latest security features The system is backed up daily Password access is required	3	2	6	Pension Manager		
7.9	Employing authorities not fulfilling their responsibilities e.g. not supplying us with	3	2	6	- Admin strategy details employer responsibilities and timescales	3	1	3	Pension Manager	Plan to set Service Level Agreement's as there is currently	

	correct employee data or not supplying it in a timely manner - Incorrect benefit calculations Delays while we request missing information				- Advice and consultancy provided. - Yearly checks on data to highlight gaps - Employer administration meetings held periodically. Guidance available on website.					no consequences for not fulfilling their responsibilities	
7.10	Failure to comply with disclosure regulations e.g. the requirement to issue information within a certain timescale after a request/event - Complaints / Fines	3	2	6	Robust workflow management system in place.	3	1	3	Pension Manager		
7.11	Failure to issue Annual Benefit statements to active and deferred members by 31st August: - Reputational risk and complaints - Fines	2	4	8	Project management approach - Regular contact with employers to get data. Statements are presented online at the self-service web site. Monthly interfacing to reduce workload at year end with the main employers (iConnect)	2	3	6	Pension Manager		
8.	**Internal processes**										
8.1	Concentration of knowledge in a small number of officers and risk of departure of	4	3	12	- Knowledge of all tasks shared by at least two team	4	2	8	Pension Manager	Internal 'how to guides' are being	2021

	key staff. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.				members and can in addition be covered by senior staff. - Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. - Specific relevant qualifications for administration and investment staff. - External consultants and independent adviser available for short term assistance.				and Investment Manager	developed on all internal processes	
9. Uncontrollable External Factors											
9.1	Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness, epidemic, pandemic etc. Insufficient daily back up, disaster recovery, and IT cover to support systems. Temporary loss of ability to provide service to stakeholders	5	5	25	- Working from home where possible - Disaster Recovery Plan for pensions system with the software provider for Member Self Service - Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls	3	5	15	Pension Manager	Develop new methods of working	