Cornwall Pension Fund

Annual Report

2022-23

Contacts

Russell Ashman
Head of Pensions, Treasury and Technical
t: 01872 322222
e: russell.ashman@cornwall.gov.uk

Information about Pension Fund Strategy and Investments

Pension Investments Section
2nd Floor West Wing
County Hall, Truro, TR1 3AY

e: pension.investments@cornwall.gov.uk

Sean Johns
Pension Investments Manager
t: 01872 322222
e: sean.johns@cornwall.gov.uk

Asset Pool Operator

Brunel Pension Partnership Ltd
101 Victoria Street
Bristol
BS1 6PU

e: info@brunelpp.org

Information about the Scheme and Membership

Pensions Administration Section
4th Floor South Wing
County Hall, Truro, TR1 3AY
t: 01872 322322

e: pensions@cornwall.gov.uk

Matt Davies
Pension Benefits Manager
t: 01872 322222
e: matthew.davies@cornwall.gov.uk

Hayley Brown
Member Services Manager
t: 01872 322222
e: hayley.brown@cornwall.gov.uk

The Cornwall Pension Fund is administered by Cornwall Council.

CORNWALL COUNCIL
one and all • onen hag oll

Cornwall Pension Fund Annual Report 2022-23

Contents

Chair's statement

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments, and the need to exercise prudence and caution in considering its future liabilities.

I would like to take this opportunity to once again thank all the members who have served on the Committee during the past year. An up-to-date list of Members of the Committee is shown on page 11. I would particularly like to express my thanks to the Employee and Employer representatives who ensure that all stakeholders in the Fund are appropriately represented on the Committee. I would also like to thank the members of the Local Pension Board who help to ensure the scheme complies with governance and administration requirements. The Pension Board Annual Report can be found on page 24.

My sincere thanks go also to the officers who run the administration and investment sides of the Funds on your behalf. The numerous and often short-notice government changes received have substantially increased the workload of these officers, who continue to administer the Fund on an extremely cost-effective basis. This was evidenced when the Fund last took part in the CIPFA Admin Benchmarking exercise, where of the Funds that participated, the total net cost per member for administering the Cornwall Pension Fund was £17.34, compared to the group average cost of £21.34.

The Annual Report
This Annual Report is designed to give readers a clear understanding of how the Cornwall Pension Fund is managed on behalf of Stakeholders, and is set out in several sections, as detailed below.

Governance of the Fund
This section details how the Fund is run. It gives information on the governance structures in place, the role of the Committee, the role of the Local Pension Board, and the role of officers. It also details training that has been delivered over the year to ensure that the Fund continues to be managed by individuals with sufficient knowledge and skills to ensure good stewardship of the Fund.

Performance of the Fund
This section provides information on the performance of the Fund's assets during the year and contains an update from the Fund's Investment consultant, Mercer.

Brunel Asset Pooling
An update on the Brunel Pension Partnership and the transition of the Fund's assets into the Pool.

Responsible Investment
This section sets out the Fund's responsible investment beliefs and climate change commitments, and the work the Fund has been doing in order to ensure that we achieve our aspiration to be at the forefront of responsible investment best practice. It also details some of the great work that the Fund has being doing in partnership with the Brunel Pool to forge better futures by investing for a world worth living in.

Financial Statements
The annual accounts of the Fund.

Regulatory Statements
The section contains a number of important regulatory statements. As detailed below:

Funding Strategy Statement: A summary of the Fund's approach to funding its liabilities.

Governance Compliance Statement: A statement setting out our compliance with best practice governance principles.

Investment Strategy Statement: Documents how the investment strategy for the Fund is determined and implemented. Also includes the Fund's Responsible Investment Policy. This policy sets out the Committee's approach to responsible investment and details the actions the Committee, officers, Brunel Pension Partnership, and other external providers take on behalf of the Fund's members and other stakeholders, to enhance long-term risk adjusted returns and protect the Fund from ESG and reputational risks.

Communication Policy Statement: Provides an overview of how we communicate and how we intend to measure whether our communications are successful.

Appendices: The appendices contain the Fund's Administration Strategy and its Responsible Investment Policy.

Review of the Year
Despite the particularly volatile market conditions over the year, with Russia's ongoing invasion of Ukraine, and aggressive action by central banks in an attempt to curb stubbornly high inflation, the Fund remained extremely resilient, with the overall Fund value falling slightly, to £2,345 million.

Despite the slight decrease in the value of the Fund assets over the year, a decrease in the level of the

Chair's statement

Fund's liabilities over the same period saw the funding level increase over the year, with the level increasing from 96% at the 31 of March 2022, to 115% at the 31 of March 2023. Further information on the Fund's investment performance and a market commentary can be found in the update from the Fund's investment consultant Mercer on page 28.

Russia's invasion of Ukraine in late February 2022 caused a global shock. The grave human implications fed through into markets, with equities declining and bond yields rising (meaning prices fell). Commodity prices soared given Russia is a key producer of several important commodities including oil, gas, and wheat. This accentuated the pre-existing condition of rising commodity prices contributing to inflation, as well as supply chain disruption.

During the year, inflation hit its highest rate since the 1980s. Initial belief that this would be transitory broadly gave way to the belief that it had become more persistent. As a result, central banks took action to curb inflation, by raising interest rates. This action may become more aggressive should evidence that the high current level of inflation is becoming embedded in pricing behaviour by firms, and in wage-setting behaviour by firms and workers. This action will need to be carefully balanced against the risk of recession.

As previously reported, following the invasion, the Partnership swiftly took the following action:

- With immediate effect, new investments in Russian assets were prohibited;
- In an orderly manner and, where practical, we disinvested from all Russian-controlled and Russian-owned assets, bonds and equities, wherever they be listed. This ensured that we captured all Russian assets. Due to the nature of the Russian regime, we do not make the distinction between state owned assets and non-state-owned companies;
- Where our non-Russian assets had material revenues/profits derived from Russia, we first sought to influence through engagement to the same end; and
- Where we did not own companies with exposure to Russia, we continued to engage on this issue, in line with our approach.

With regards to the global pandemic; although there are reasons for optimism, with recent COVID variants proving to be a relatively mild, the continuing uncertainty and pervasiveness of the global COVID-19 pandemic and the potential impacts it has on the Fund's investments will continue to be monitored closely.

Geopolitical and macroeconomic events and the knock-on effect to the performance of the Fund's investments are continually monitored by Fund officers and advisers. The Fund has a well-diversified investment strategy in place to try and mitigate any downside impacts to the Fund. The Fund also has a tactical asset allocation portfolio, which is able to be more dynamic and takes a 12-month view, to try to take advantage of shorter-term market trends. In addition, the Fund has a risk management framework, which seeks to mitigate risk in a number of areas and includes an equity protection strategy, which to an extent, protects the Fund from large falls in the values of its equities.

The Committee attended a number of training events during the year, details of which can be found on page 16. These training sessions are designed to ensure that the Cornwall Pension Fund is overseen by individuals who have the appropriate levels of knowledge and skills. The training strategy reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

This year there was again a strong focus on responsible investment best practice and how this best practice can be implemented by the Fund. The Fund is a signatory to the Institutional Investors Group on Climate Change (IIGCC) Net Zero Asset Owner Commitment, being in the first wave of signatories to this new commitment when it launched in March 2021. Further information on this can be found in the Responsible Investment section of this report. The Fund also supports and applies the UK Stewardship Code 2020 definition of stewardship: "Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society." The Fund continues to work closely with the other member funds in the Brunel Pension Partnership and our jointly owned investment company (Brunel Ltd) towards our mutual commitment to building a financial system which is fit for a low carbon future.

The Fund embarked on its first direct engagement, which involves 11 water companies across the UK, and will last for approximately 2 years. This is the first direct engagement the Cornwall Pension Fund has been involved in and represents an opportunity for the Fund to affect positive, real-world change. We hope that the knowledge gained from this engagement will help us build the internal capabilities to participate in more direct engagements in the future, as we see this as the next evolution of the Fund's stewardship of its assets.

During the year, the Fund commissioned its investment consultant, Mercer, to produce climate

Chair's statement

change scenario analysis, to model the different potential impacts, different climate change scenarios would have on the Fund, and also to conduct carbon analysis and transition alignment analysis on the Fund's existing investments. This analysis was produced to help officers and the Committee better understand the current trajectory of the carbon intensity of the portfolio and will be used in the future to measure the Fund's performance against meeting its carbon intensity improvement objective.

2022 finished on a high note, with the Fund successfully becoming a signatory to the UK Stewardship Code 2020, and winning the Investment Innovation Award at the 2022 LAPF Investment Awards. The Fund won the award for its multi-asset social impact fund, which has local investments; the first designed and implemented with an LGPS Pool. The impact fund will initially result in £65m of new Affordable Housing being built in Cornwall, and £50m of Renewable Energy investment, £25m of which will be in Cornwall.

During the course of the year, as part of the implementation of the Fund's investment strategy, Responsible Investment Policy, and the further implementation of pooling, there were a number of new investments, and transitions of assets into the Brunel Pool:

The Fund fully divested from its Brunel Core Global Equity holding (Newton), and invested the entirety of the proceeds into the Brunel Global High Alpha fund. The Fund also fully divested from its diversified growth holding with Invesco, and invested the entirety of the proceeds into the Brunel Diversifying Returns Fund. In addition, the Fund made its first transfer of funds into the Social Impact Portfolio. The transfer of £25m to Schroders Greencoat has been deployed in an infrastructure liquid alternative portfolio, while awaiting drawdown from Schroders Greencoat into Cornish renewable energy investments.

It should be noted that each Brunel portfolio, across all asset classes, explicitly includes responsible investment and an assessment of how ESG considerations may present financial risks to the delivery of the portfolio objectives.

There are a number of significant pieces of work which will take place over the coming 12 months and beyond, including:

- Reviewing and building upon the Fund's current Responsible Investment Policy
- Continued implementation of the IIGCC Net Zero Investor Framework, to which the Fund is a signatory
- Consulting with the scheme members on their views in relation to responsible investment and feeding these into the aforementioned review of the Responsible Investment Policy
- Submitting a Task Force on Climate-Related Financial Disclosures report
- Retaining signatory status to the UK Stewardship Code 2020 by submitting an Annual Stewardship Report to the Financial Reporting Council for assessment
- To continue to build relationships and increase external engagement on responsible investment, both as a Fund and through the Brunel Pension Partnership
- The remedy for the McCloud case and the substantial administration workload this will require
- Amending Funding Strategy Statement to account for changes in LGPS Regulations allowing for greater flexibility in employer contributions and exits payments.
- Continue embedding change to employer data gathering process from annual to online monthly returns
- Preparing for the Government's Pensions Dashboards
- Creating new processes to use My Pensions Online for document sharing
- Moving Annual Benefit Statements to online delivery
- Saving paper and modernising new starter welcome letters by sending one-page document inviting members to view more information online and to sing up to My Pensions Online

Full details on the work programme can be found in the Fund's Business Plan 2023-2026.

So, to conclude: the world of pensions never sits still; however, the Committee will ensure that we deliver the best outcomes within our control for the members and the employers of the Cornwall Pension Fund.

Cllr Jayne Kirkham
Chair, Cornwall Pensions Committee

Independent auditor’s report to the members of Cornwall Council on the consistency of the Cornwall Pension Fund financial statements included in the Cornwall Pension Fund Annual Report

Awaiting report

Background to the Fund

The Cornwall Pension Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority, Cornwall Council, runs the Cornwall Pension Fund, in effect the LGPS for the Cornwall area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The Cornwall Pension Fund is a participant in the Brunel Pension Partnership which is fundamentally changing the way in which the Fund's strategic asset allocation is implemented. This is a long-term strategic relationship of ten LGPS funds. How pooling impacts the Fund's investment arrangements and the authority delegated to the new company is explained in detail in the Fund's Investment Strategy Statement, which starts on page 131.

The Fund is a long-term investor with a primary objective as follows:

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, as required by the Local Government Pension Scheme (Benefits) Regulations 2013 (as amended).

The Cornwall Pension Fund's Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. To do this effectively the Committee recognises the importance of managing Environmental, Social and Corporate Governance ("ESG") issues, including climate change, that are financially material to the Fund, both in terms of opportunities and risks. What is more, there is a growing urgency with respect to long-term sustainability issues, particularly climate change. Therefore, it is imperative that ESG considerations and active ownership are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

Over the past 4 years, the Fund has made significant progress in evolving its policies on responsible investment and climate change. We are continuing to focus on this as a key priority for the Fund, and we continue to aspire to be at the forefront of responsible investment best practice.

The Committee recognises the importance of working collaboratively with the Brunel Pension Partnership ("Brunel") to make the Fund's ESG approach effective.

The Committee defines Responsible Investment ("RI") as the integration of ESG issues into its investment processes and stewardship (or active ownership) practices in the belief this can positively impact financial performance over the long term.

Mission Statement

The Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. Its primary objective is to provide for members' pension benefits.

The Committee also recognises its responsibilities to the Fund's employers, to make the Scheme cost effective and where possible to ensure stable employer contribution rates.

In order to support these key objectives through the Investment Strategy, the Committee has set the following aims:

- Integrate industry leading Responsible Investment (Environmental, Social and Corporate Governance [ESG]) processes and stewardship practices throughout the investment portfolio, to both manage risk and to take advantage of the opportunities which arise from this style of investing.
- Be as cost effective as possible, leveraging the strength of the Brunel Pension Partnership to drive down fund management fees.
- Smooth out the Fund's return profile by investing in a diversified portfolio of assets and by utilising effective dynamic risk management.
- Be dynamic, using tactical decisions (staying within the Fund's risk appetite) to take advantage of short-term market opportunities to try to generate extra return.

Governance and management of the Fund

The Council, on 20 May 2014, continued to support the agreement that the Pensions Committee will:

- exercise the functions of the Council as administering authority for the Local Government Pension Scheme (LGPS) in Cornwall; and
- establish a scheme of delegation to officers.

The Pensions Committee's principal aim is to carry out the functions of Cornwall Council as the Scheme Manager and Administering Authority for the Cornwall Pension Fund in accordance with the LGPS regulations and any other relevant legislation.

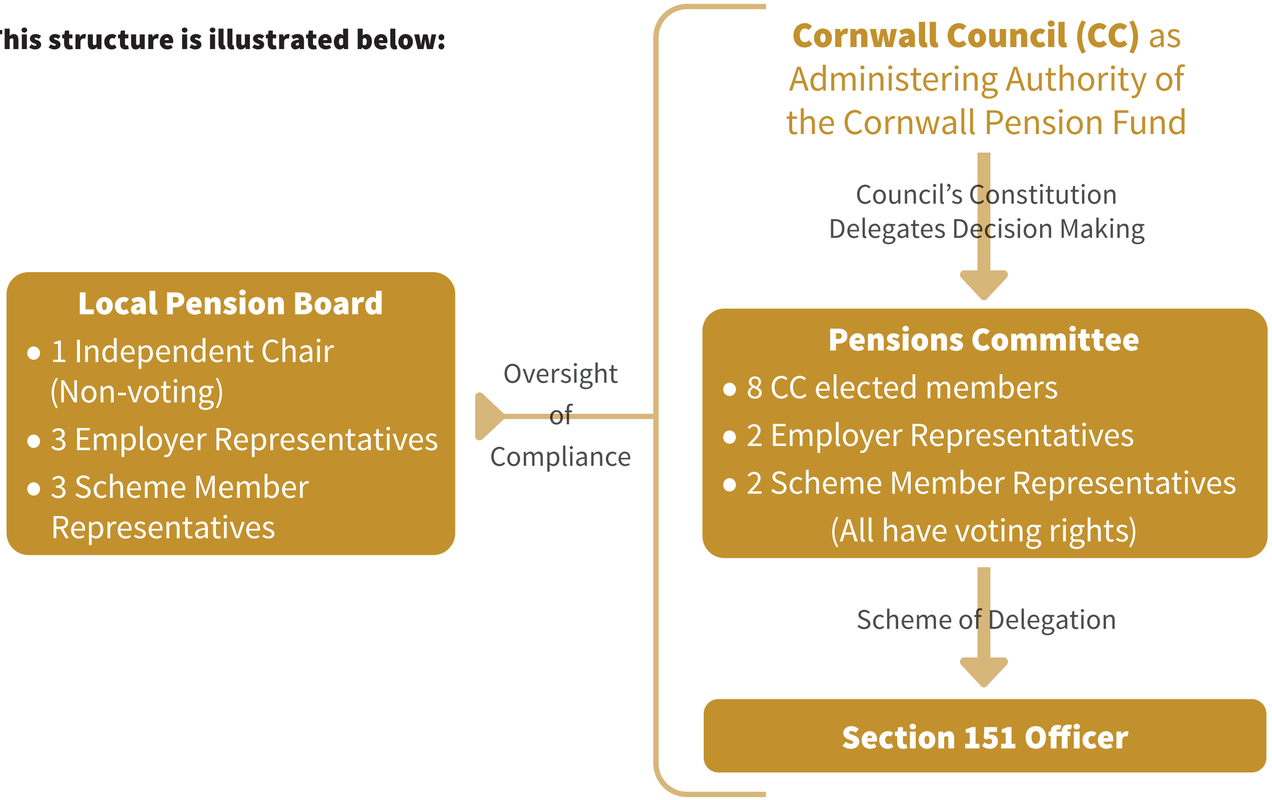
The Chief Operating Officer is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council, including Pension Fund matters. The Committee delegates a number of functions to the Section 151 Officer. These can be found in the Fund's Governance Policy Statement which is on the Fund's website and in the Annual Report, which can also be found on the website.

In its role as the administering authority, Cornwall Council owes fiduciary duties to the employers and members of the Cornwall Pension Fund and must not compromise this with its own particular interests. Consequently, this fiduciary duty is a delegated responsibility of the Pensions Committee and its members must not compromise this with their own individual interests.

In addition to the Pensions Committee, a Local Pension Board ("LPB") is in place to assist in:

- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund

This structure is illustrated below:

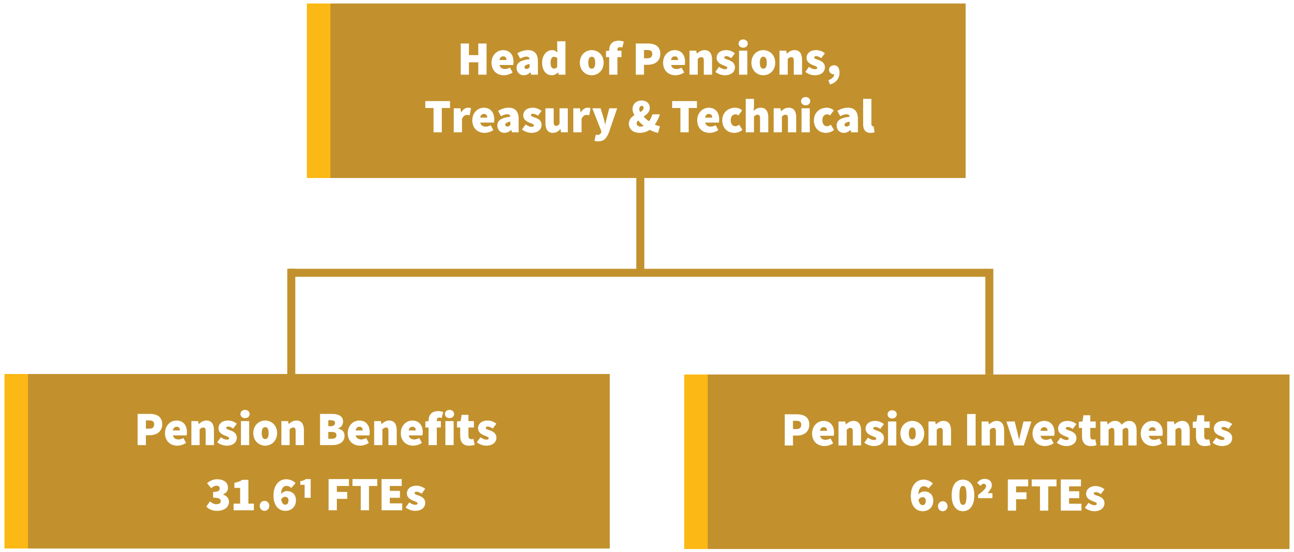


The Pension Fund Team

Pensions is managed by the Head of Pensions, Treasury & Technical, who is supported by two sections:

- **The Pension Benefits Section** which is responsible for the day to day administration of pension benefits and is headed by the Pension Benefits Manager. The team delivers a pensions service to approximately 59,740 scheme members and 146 contributing employer records. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The team also implements and maintains the pension software systems, reconciles employer records, and a pensioner payroll service for approximately 17,570 pensioners, survivors and dependents.
- **The Pension Investment Section** which is responsible for accounting, investment and governance matters is headed by the Pension Investment Manager. The section is responsible for day to day accounting, production of the Annual Accounts and production of the Annual Report. Additionally, the section is responsible for all investment matters of the Fund, including implementing the Fund's responsible investment approach, monitoring and managing of the fund managers and the approximately £2.3bn of assets (as at 31 March 2023). The Pension Investment Section is also responsible for overseeing the pooling of the Fund's assets, with the nine other LGPS administering authorities, into the Brunel Pension Partnership.

The structure as at March 2023 is illustrated below:



[1] Currently 27.6 staff in-post as 4 vacancies for which the recruitment is ongoing.

[2] Plus 2 posts fully funded by the Brunel Pension Partnership (so Cornwall responsible for 1/10th of the salary costs). These 2 roles provide administrative support to the Partnership.

Officers, the Pensions Committee and the Local Pension Board are supported by a range of specialist consultants, suppliers and fund managers. The Fund's retained investment consultant is Mercer, Independent Advisor is John Finch, actuary is Hymans Robertson, LGPS Pool is Brunel and custodian is State Street.

Committee membership and attendance

Pensions Committee: Membership and Meeting Attendance	Administering Authority / Employer / Member Representative/Other	Meeting Date					Attendance (%)
		Jun-22	Sep-22	Oct-22	Dec-22	Mar-23	
Voting Members							
Cllr Jayne Kirkham (Chair)	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr Mike Thomas (Vice Chair)	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr David Crabtree	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr Edwina Hannaford[1]	Administering Authority	Y	N/A	N/A	N/A	N/A	100%
Cllr Colin Martin	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr John Morgan[1]	Administering Authority	N/A	N/A	N/A	N/A	Y	100%
Cllr Peter Perry	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr John Tivnan	Administering Authority	Y	Y	Y	Y	Y	100%
Cllr Christopher Wells	Administering Authority	Y	Y	Y	Y	Y	100%
Julie Martin	Employer Representative	N	Y	Y	Y	N	60%
Nick Olgard	Member Representative	Y	Y	Y	Y	Y	100%
Andy Stott	Member Representative	Y	Y	Y	Y	Y	100%
Chris Wilson	Employer Representative	Y	Y	Y	Y	Y	100%
		Average attendance (including vacancies) %					92%
		Average attendance (excluding vacancies) %					97%
		Proportion of voting members not from the Administering Authority					4 out of 12 (33%)

[1] A leave of absence was approved for Cllr Edwina Hannaford, who was subsequently replaced on the Committee by Cllr John Morgan.

Local Pension Board membership and attendance

Pensions Board: Membership and Meeting Attendance	Administering Authority / Employer / Member Representative/Other	Meeting Date				Attendance (%)
		Jun-22	Aug-22	Nov-22	Mar-23	
Non-Voting Members						
Mark Spilsbury (Chair)	Other – Independent Chair	Y	Y	Y	Y	100%
Voting Members						
Emma Coombe	Employer Represetnative	Y	Y	Y	N	75%
Katie Dalsgaard	Member Representative	N	Y	Y	N	50%
Cas Leo	Member Representative	Y	Y	Y	Y	100%
Ian Smart	Employer Represetnative	Y	Y	Y	Y	100%
Heather Timbrell	Employer Represetnative	N	Y	Y	N	50%
Amanda Trowill	Member Representative	N	N	Y	Y	50%
		Average attendance (including vacancies) %				75%
		Average attendance (excluding vacancies) %				75%
		Proportion of voting members not from the Administering Authority				4 out of 6 (67%)

Scheme membership

On the 31 March 2023, there were 146 employer records in the Fund with active members (148 in the previous year.)

Fund employers on 31 March 2023	Active	Ceased	Total
Cornwall Council	1	-	1
Council of the Isles of Scilly	1	-	1
Designated bodies	53	14	67
Scheduled bodies	45	9	54
Admitted bodies	46	63	109
Total	**146**	**86**	**232**

During the year, the number of contributors in the Scheme increased by 140 (0.8%) to 18,488. The number of pensionsers receiving benefits increased by 664 (3.9%) to 17,569.

	2019	2020	2021	2022	2023
Contributors					
Cornwall Council	6,810	6,881	6,816	7,015	7,052
Academies	7,386	7,709	7,730	7,920	7,971
Other Bodies	3,888	3,816	3,558	3,413	3,465
Total Number of Contributors	**18,084**	**18,406**	**18,104**	**18,348**	**18,488**
Pensioners					
Receiving Benefits	14,460	15,329	16,256	16,905	17,569
Deferred Benefits	21,060	20,785	21,118	22,127	23,683
Total Number of Pensioners	**35,520**	**36,114**	**37,374**	**39,032**	**41,252**

Key staffing indicators

The table below shows the number of staff over the last five years in the Pensions Benefits Team however, these staff administer both the Local Government Pension Scheme and the Fire Fighters Pension Schemes.

	2019	2020	2021	2022	2023
FTE staff	20.6	20.6	21.0	22.0	27.6[1]
Total membership	53,604	54,520	55,478	57,380	59,740
Ratio	**2,602**	**2,647**	**2,642**	**2,608**	**2,164**

[1]Due to a re-structuring of the Pension Benefits Team, an increase in staff to 31.6 was agreed; however, at the 31st March 2023, recruitment into the new positions was ongoing, so the actual number of staff during the year was 27.6.

The number of ill-health early retirements was 18 (20 in the previous year), which equates to 0.97 per 1,000 active members.

At the 31 March 2023, the average age of our members was as follows:

- Active members – 46 years and 339 days
- Deferred members – 49 years and 131 days
- Pensioner members – 71 years and 7 days
- Dependant pensioner members – 71 years and 290 days

List of key parties	
Auditor	Grant Thornton
Bankers	Natwest
Consultant Actuary	Hymans Robertson
Strategic Investment Consultant	Mercer
Custodian of Assets	State Street
Performance Measurement	State Street
AVC Providers	Utmost Standard Life
Asset Pool Operator	Brunel Pension Partnership
Independent Advisor	John Finch

Committee

The Scheme of Delegation

Cornwall Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Section 151 Officer. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between Cornwall Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Section 151 Officer or the Fund's investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with Cornwall Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Role of the Committee

The Pensions Committee exercises the functions of Cornwall Council as administering authority for the Local Government Pension Scheme in Cornwall. The Pensions Committee comprises voting members representing Cornwall Council, the employers and the employees. The Committee is supported by professional advisers and officers who principally oversee how the Scheme is run and how the assets of the Fund are managed. A large part of the work involves monitoring how the fund managers perform and the investments which they are responsible for.

One requirement in managing the Fund and reducing any risk, as far as possible, is to make sure the assets are spread over different asset classes, in different countries and between fund managers. We need to get the balance right between the desire for improved returns and the possible `risk` of those returns dropping due to investment conditions. In addition, the Committee acknowledges the responsibility as a major shareholder. The task of exercising voting rights is delegated to fund managers who report back to the Committee on the actions taken at the next meeting. The Committee will also consider pension issues as they arise.

Delegation to Officers – Section 151 Officer

At its meeting on 16 March 2017, the Committee agreed a Scheme of Delegation to the Section 151 Officer.

This is included in the Governance Policy Statement included later in this Report but can be summarised as follows:

The Committee retains responsibility for the following items:

- The Fund's investment strategy
- The Investment Strategy Statement, including the Funds position on asset pooling
- Approval of all policies
- Approval of the Annual Business Plan
- Approval of Annual Report and Accounts
- Acceptance of the triennial valuation report produced by the Fund Actuary
- Appointment of AVC providers

The Committee delegates to the Section 151 Officer responsibility for the following items:

- Managing and monitoring the investment managers, consultants and custodian
- Managing the Fund's cash assets directly held by the Administering Authority
- Transferring assets between the Administering Authority, the investment managers and custodian
- Accounting for all investment transactions
- Within limits, authorising expenditure from the Fund
- Paying the fees of the investment managers and the custodian
- When necessary, exercising the Fund's voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

Regulatory framework

The Annual Report

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as "the pension fund annual report". From 1 April 2014, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority's investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Investment Strategy Statement;
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

The Local Government Pension Scheme (LGPS) is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Department for Housing, Communities and Local Government is responsible for the ongoing maintenance of the LGPS.

The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014 which changed the future benefit structure from final salary to Career Average Revaluated Earnings (CARE). However, any benefits earned prior to April 2014 continue to be based upon a member's final pensionable salary at the date of leaving employment. Pensions and entitlements are fully protected in law.

Membership of the LGPS is open to all employees of local authorities and academies except teachers, firefighters, and police, who have their own separate schemes. Other employers such as colleges, town and parish council, and private sector companies awarded various public sector service contracts also participate in the scheme. The Scheme is open to all employees under age 75, whether they work full-time or part-time. Academies and Cornwall Council automatically enrol all employees into the Fund, as long as they have a contract of employment of more than three months duration. Employees with a contract of employment for less than three months may join the LGPS upon application. All members of the scheme can choose to opt-out at any time. Employees contribute between 5.5% and 12.5% depending upon their rate of actual pensionable pay in accordance with a pay band contained in the Regulations. In exchange for this contribution rate, employees earn a pension of 1/49th of their pensionable pay for that year. This amount is then added to their pension account and at the end of every scheme year, this amount is increased to take into account the cost of living. This process happens each year until retirement when all the revalued pension accounts are added together to produce a total pension. Employees also have the option to contribute at half the normal percentage rate and then earn a pension at the rate of 1/98th of their career average pay but, still retain the same death in service and ill-health provisions as an employee paying the normal percentage rate. Pensionable pay includes basic pay plus any overtime and bonuses for benefits earned under CARE. Other valuable benefits of membership include death lump sum payments, dependant's pensions, flexible and ill-health retirement options.

Employers contribute at a rate set by the fund actuary and the rates applicable to 31 March 2025 are shown at the end of this report. Further information regarding the various benefits offered can be found on the Cornwall Pension Fund website at www.cornwallpensionfund.org.uk

Our employers continue to cycle through the three yearly process of re-enrolment in accordance with their statutory duties under the Automatic Enrolment legislation, which involves enrolling all of their eligible employees into the LGPS. This again has helped to maintain our active membership over the year and therefore assisted in maintaining a positive cash flow.

The majority of local authority schools have now converted to academy status. Those remaining schools that decide to convert are electing to join an existing academy trust instead of becoming a new separate academy employer in the fund. The trend of existing academies merging to form multi academy trusts has continued, which reduces the number of separate employers we have in the fund, but still maintains the same overall membership numbers and we are beginning to see these multi academy trusts merging to form even larger trusts.

There were 11 new employers admitted to the Cornwall Pension Fund during the year, which were made up of all new Admitted Bodies and new Parish Council's joining the fund.

The Regulations relating to the Fund's Assets

The regulations relating to the management and investment of the Fund's assets are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Under these regulations, we have to consider the different types of investments and their suitability.

Governance

The Fund must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.

The Funds investment strategy must include:

- a requirement to invest fund money in a wide variety of investments;
- the Funds assessment of the suitability of particular investments and types of investments;
- the Funds approach to risk, including the ways in which risks are to be assessed and managed;
- the Funds approach to pooling investments, including the use of collective investment vehicles and shared services;
- the Funds policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the Funds policy on the exercise of the rights (including voting rights) attaching to investments.

The Funds investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The Funds investment strategy may not permit more than 5% of the total value of all investments to be invested in entities which are connected with the Administering Authority.

The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

The Fund must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

The Fund must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

The Pension Act 1995 applies to occupational pension schemes, from 6 April 1997.

The local authority scheme, while described as an occupational pension scheme, is required to meet further standards. Local authorities are expected to follow examples of good practice, in particular to do with releasing information to pension scheme members.

Regulation changes

There were no significant Local Government Pension Scheme regulation changes during the year that affected the administration of the scheme in Cornwall.

Risk management

The Fund's governance arrangements ensure that the management of Fund administrative, management and investment risk is undertaken at the highest levels. The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisors and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The principal Fund documents relating to risk management and control are:

- Risk Management Policy
- Breaches Policy
- Communications Policy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Governance Compliance Statement
- Pension Administration Strategy
- Cash Management Strategy
- Investment Strategy Statement
- Conflicts of Interest Policy

Copies of these documents are available from the Fund and are published on the Fund website at: www.cornwallpensionfund.org.uk

In addition, a detailed Risk Register is maintained. The detailed Risk Register matches high level risks, under each of the three areas of activity (Governance, Funding & Investment and Administration & Communication), to the Fund's high level objectives. Each of the detailed risks is then given an impact score and a likelihood score before any controls are applied. These are then combined to give an overall pre-control risk score, which is assigned a Red – Amber – Green (RAG) rating. Changes to the level of risk are reported at each Committee and Pension Board meeting.

These documents are all subject to regular scrutiny by Pensions Committee, Pension Board and officers. They provide details of the key risks and explanations of the policies and controls adopted to mitigate them. These arrangements are assessed at least annually.

As well as the above Fund documents relating to risk management and control, A Local Pension Board ("LPB") is also in place to assist in:

- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund

Knowledge and skills

The Cornwall Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision-making with regards to the pension scheme, are fully equipped with the knowledge and skills to discharge the duties and responsibilities assigned to them.

The Fund has a Training Strategy in place for the Pensions Committee, Local Pension Board, and Officers, which can be viewed here: Training Strategy. It has been established to aid the Pensions Committee, Pension Board, and Officers in understanding their respective responsibilities in relation to the Fund, and to ensure that the Cornwall Pension Fund is overseen by individuals who have the appropriate levels of knowledge and skills. The strategy reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks. In addition, following extensive consultation and engagement with the LGPS community, the Scheme Advisory Board (SAB) made recommendations in its Good Governance report that relate directly to the attainment of knowledge and skills. Although the findings of the Good Governance Review have yet to be formally adopted in statutory form, the Fund's Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the Cornwall Pension Fund.

Training activity in the year

The following tables provide a detailed record of the training that was provided during the year to members of the Pensions Committee and Local Pension Board, and to senior Fund officers. They also provide a breakdown of meeting content.

With the ongoing disruption caused by the pandemic, the Fund has endeavoured to deliver all planned training as effectively as possible, using technological solutions where face-to-face training was not possible.

Pensions Committee – Training Record

Pensions Committee: Training for Financial Year 2022/23	Induction	Pensions legislation	Pensions governance	Pensions administration	Actuarial methods, standard & practices	Pension accounting & auditing standards	Pension services procurement & relationship management	Investment performance, risk management & Responsible Investment	Financial markets & products knowledge	Total (hours)
Pensions Committee										
Cllr Jayne Kirkham (Chair)	1.50	-	-	0.50	3.50	-	-	20.50	10.00	36.00
Cllr Mike Thomas (Vice-Chair)	1.50	-	-	-	2.00	-	-	10.00	7.00	20.50
Cllr David Crabtree	1.50	-	-	-	2.00	-	-	8.00	7.00	18.50
Cllr Edwina Hannaford	-	-	-	-	1.00	-	-	-	-	1.00
Cllr Colin Martin	-	-	-	-	2.00	-	-	10.00	9.00	21.00
Cllr Peter Perry	-	-	-	-	2.00	-	-	8.00	7.00	17.00
Cllr John Tivnan	-	-	-	-	2.00	-	-	8.00	7.00	17.00
Cllr Christopher Wells	1.50	-	-	-	2.00	-	-	8.00	7.00	18.50
Cllr John Morgan	-	-	-	-	-	-	-	1.00	-	1.00
Julie Martin	1.50	-	-	-	1.00	-	-	5.00	4.00	11.50
Nick Olgard	-	-	-	-	2.00	-	-	8.00	7.00	17.00
Andy Stott	-	-	-	-	2.00	-	-	9.00	7.00	18.00
Chris Wilson	-	-	-	-	2.00	-	-	8.00	7.00	17.00
									Sub-total	214.00

Pensions Committee - Meeting Content

Pensions Committee: Meeting Content	Meeting Date					Number of items considered
	Jun-22	Sep-22	Oct-22	Dec-22	Mar-23	
Meeting Duration (hours)	3.50	2.00	1.75	2.75	3.75	
Governance						
Declaration of conflicts of interest	X	X	X	X	X	5
Policies/Strategies		X				1
Business Planning						0
Budget Setting						0
Annual Report and Accounts		X	X			2
Governance Compliance Statement						0
Audit Matter (internal/external)	X	X				2
Risk Register	X	X		X		3
Business Continuity	X	X		X		3
Data Security	X	X		X		3
Breaches	X	X		X		3
Regulatory Update	X					1
Update from Pensions Board	X	X		X		3
Pool Governance Issues	X	X				2
Review Effectiveness	X	X		X		3
Training	X	X		X		3
Other						0
Funding						
Actuarial Valuations	X		X		X	3
Funding Strategy Statement				X		1
Interim Funding Update	X	X		X		3
Other Cashflow Modelling			X			1
Investments						
Strategy Review	X	X			X	3
Policies/Strategies (ISS & RI)					X	1
Strategy Implementation	X	X		X	X	4
Monitoring of investments	X	X		X	X	4
Other (to be specified)						0
Pensions Administration						
Administration Strategy						0
Communications Policy						0
Performance Indicators	X	X		X		3
Updates from Projects	X			X		2
Other (to be specified)						0

Local Pension Board – Training Record

Pension Board: Training for Financial Year 2022/23	Induction	Pensions legislation	Pensions governance	Pensions administration	Actuarial methods, standard & practices	Pension accounting & auditing standards	Pension services procurement & relationship management	Investment performance, risk management & Responsible Investment	Financial markets & products knowledge	Total (hours)
Pension Board										
Mark Spilsbury (Chair)	-	1.00	2.00	1.50	2.50	1.00	2.00	7.50	6.00	23.50
Emma Coombe	1.50	1.00	1.00	1.50	2.50	0.50	1.00	7.50	6.00	22.50
Katie Dalsgaard	-	-	-	-	1.50	-	-	5.00	7.00	13.50
Cas Leo	1.50	1.00	1.00	1.00	1.00	0.50	1.00	1.00	-	8.00
Ian Smart	-	-	-	0.50	2.50	-	-	9.50	8.00	20.50
Heather Timbrell	-	-	-	0.50	3.00	-	-	3.50	3.00	10.00
Amanda Trowill	1.50	1.00	1.00	1.00	1.00	0.50	-	7.50	7.00	20.50
									Sub-total	118.50

Governance

Local Pension Board - Meeting Content

Pension Board: Meeting Content	Meeting Date				Number of items considered
	Jun-22	Aug-22	Nov-22	Mar-23	
Meeting Duration (hours)	1.25	1.25	2.00	1.00	
Governance					
Declaration of conflicts of interest	X	X	X	X	4
Policies/Strategies	X	X		X	3
Business Planning	X				1
Budget Setting	X				1
Annual Report and Accounts			X		1
Governance Compliance Statement					0
Audit Matter (internal/external)	X	X			2
Risk Register	X	X	X	X	4
Business Continuity	X	X	X		3
Data Security	X	X	X		3
Breaches	X	X	X	X	4
Regulatory Update				X	1
Pool Governance Issues					0
Review Effectiveness	X	X	X		3
Training	X	X	X	X	4
Other (to be specified)					0
Funding					
Actuarial Valuations	X	X			2
Funding Strategy Statement				X	1
Interim Funding Update	X	X	X	X	4
Other (to be specified)				X	1
Investments					
Strategy Review					0
Policies/Strategies (ISS & RI)		X		X	2
Strategy Implimentation	X			X	2
Monitoring of investments	X	X	X	X	4
Other (to be specified)					0
Pensions Administration					
Administration Strategy					0
Communications Policy					0
Performance Indicators	X	X	X	X	4
Updates from Projects	X	X	X	X	4
Other (to be specified)					0

Senior Officers – Training Record

Senior Officers: Training for Financial Year 2022/23	Induction	Pensions legislation	Pensions governance	Pensions administration	Actuarial methods, standard & practices	Pension accounting & auditing standards	Pension services procurement & relationship management	Investment performance, risk management & Responsible Investment	Financial markets & products knowledge	Total (hours)
Senior Officers										
Russell Ashman (Head of Pensions, Treasury & Technical)	-	6.00	14.50	6.00	10.00	5.50	5.00	22.50	28.50	98.00
Matthew Davies (Pension Benefits Manager)	-	6.00	6.50	13.00	12.25	2.00	4.00	9.50	9.00	62.25
Sean Johns (Pension Investments Manager)	-	-	5.00	1.25	4.50	-	-	18.75	17.00	46.50
									Sub-total	206.75

The agreed training plan for next year is as follows:

Title of session	Timescale	Audience
Pensions Committee Pre-Meeting Training	Quarterly	Pensions Committee, Local Pension Board
Local Pension Board Pre-Meeting Training	Quarterly	Local Pension Board, Pensions Committee
PLSA Local Authority Conference	Q1	Pensions Committee, Local Pension Board and Officers
Responsible Investment Training Day	Q2	Pensions Committee, Local Pension Board and Officers
Brunel Pension Partnership Training Day	Q3	Pensions Committee, Local Pension Board and Officers
Cornwall Pension Fund Investments Training Day	Q4	Pensions Committee, Local Pension Board and Officers
CIPFA Pensions Audit and Accounting Working	Q4	Officers
Local Pension Board Seminar	Q4	Local Pension Board and Officers
New Member Training	As required	Pensions Committee, Local Pension Board

Work programme and future

During late 2021, the Head of the Cornwall Pension Fund commissioned Aon Plc to carry out a detailed review into the administration function, in order to identify key areas for focus, and to assess resourcing levels. This review provided valuable recommendations around the resourcing and the future structure of the team. The results of the review were shared with the Pensions Committee in 2022, and a significant restructure of Pension Benefits Team was consulted upon and implemented in mid to late 2022.

This resulted in the Fund's administration function being split into three main teams; the Member Services Team, which is responsible for all scheme member related functions; the Employer Services Team, which is responsible for all employer related functions; and a new Project and Change Team was created to ensure the overall team can meet all the future challenges faced by the team and continue to implement change to ensure that we provide a modern efficient service.

The whole team continues to operate a hybrid working arrangement with all team members now splitting the working week between home and the office.

The team continue to encourage scheme members to take advantage of the member self-service facility called My Pension Online. This system allows our scheme membership to view their own membership data held on our administration system, to update some of their personal details, amend their nomination for death grant payment, and perform some estimates for themselves. This has had a positive impact on the workload faced by the team, with members now able to perform these activities for themselves. The system will be further publicised with our 2023 Annual Benefit Statements and on the Fund's website.

During the year the Fund also implemented a new employer portal called i-Connect. This is a secure platform which automates the submission of pension data from employers to the Fund. Once employers are "onboarded" to i-Connect, they will no longer need to prepare year end returns for their scheme members' data as submissions will be via online monthly data returns, providing significant efficiency improvement for both the Fund and its employers. Over the year, employers were contacted and supported during their onboarding to i-Connect, and at the end of the year all employers apart from 6 were onboarded onto the i-Connect system. The Fund will work with these small number of employers to ensure they are onboarded to the system.

The amended LGPS regulations to implement the remedy for the McCloud court case are due on the 1st of October 2023. The McCloud court case determined that the transitional protections granted for those in the scheme and within ten years of their normal pension age at April 2012, when they were moved to the new Career Average Revalued Earnings (CARE) scheme from April 2014, were illegal on the grounds of age discrimination. These protections meant that the benefits awarded at leaving were the higher of all service being treated as final salary, compared to the combined value of the final salary and CARE schemes. This will result in a significant amount of additional administrative work as the transitional protections have been extended to all members of the scheme at April 2012. We will be required to review all these member records, including those that have left the scheme since April 2014 who were not covered by the original protections, to ensure that the benefits they were awarded were in accordance with the protections.

The Fund's pensioner payroll function completed the mortality screening of our overseas pensioners during the year. This exercise is performed monthly for our UK pensioners, but the same mortality data is not readily available to check our overseas pensioners. This therefore requires a special exercise which we undertake every two years, as this is an area of high risk of fraud where someone fails to notify us of a death and then continues to receive the pension payment. We currently have around 250 overseas pensioners. It is anticipated that this will now be completed again 2023/24 and potentially then completed on an annual basis to reduce the fraud exposure to the fund in this area.

With regards to the Fund's investments - Brunel Pensions Partnership Limited was formed in October 2017 and received authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. The substantial programme of transitioning the Fund's investment assets into Brunel managed portfolios has almost completed, with just the Fund's Tactical Asset Allocation Portfolio (TAAP) left to transition. This will allow the Partnership to focus more on managing and monitoring the portfolios and for the Partnership to continue building upon its industry leading Responsible Investment credentials. Further information on Brunel's activities can be found on their website www.brunelpensionpartnership.org

Russia's invasion of Ukraine in late February of 2022 caused a global shock. The grave human implications fed through into markets, with equities declining and bond yields rising (meaning prices fell). Commodity prices soared given Russia is a key producer of several important commodities including oil, gas, and wheat. This accentuated the pre-existing condition of rising commodity prices contributing to inflation, as well as supply chain disruption.

During the year, inflation hit its highest rate since the 1980s. Initial belief that this would be transitory, broadly gave way to the belief that it had become more persistent. As a result, central banks took action curb inflation, by raising interest rates. This action may become more aggressive should evidence that the high current level of inflation has become embedded in pricing behaviour by firms, and in wage-setting behaviour by firms and workers. This action will need to be carefully balanced against the risk of recession.

With regards to the global pandemic; although there are reasons for optimism, with recent COVID variants proving to be a relatively mild, the continuing uncertainty and pervasiveness of the global COVID-19 pandemic and the potential impacts it has on the Fund's investments will continue to be monitored closely.

Geopolitical and macroeconomic events and the knock-on effect to the performance of the Fund's investments are continually monitored by Fund officers and advisers. The Fund has a well-diversified investment strategy in place to try and mitigate any downside impacts to the Fund. The Fund also has a tactical asset allocation portfolio, which is able to be more dynamic and takes a 12-month view, to try to take advantage of shorter-term market trends. In addition, the Fund has a risk management framework, which seeks to mitigate risk in a number of areas and includes an equity protection strategy, which to an extent, protects the Fund from large falls in the values of its equities.

During the year the Fund's actuary, Hymans Robertson, completed the triennial valuation, which is a legal requirement under the LGPS Regulations. The purpose of the valuation is to set the contribution plan for the employers to fund the cost of the benefits and is part of the continual health check on Fund solvency. It helps ensure the Fund is on track for its aim to become fully funded. Since the previous valuation, the funding level of the Fund had improved, from 90% (at the 31st March 2019) to 96% (at the 31 of March 2022).

Following the conclusion of the formal valuation, the Fund completed a full review of its investment strategy. The review ensured that the strategy is targeted to meet the required asset outperformance set by the actuary, and that it does so in the most risk efficient way. The Fund's updated Investment Strategy Statement begins on page 131.

During the year, the Brunel Pension Partnership embarked on its Climate Stocktake, where it reviewed its Climate Change Policy, ahead of publishing a new policy in 2023. The Stocktake has now concluded and Brunel have published the Partnership's updated Climate Change Policy, which can be viewed here: Climate Change - Brunel Pension Partnership. The full press release which provides a useful summary can viewed here: Press Release

2022 finished on a high note, with the Fund successfully becoming a signatory to the UK Stewardship Code 2020, and winning the Investment Innovation Award at the 2022 LAPF Investment Awards. The Fund won the award for its multi-asset social impact fund, which has local investments; the first designed and implemented with an LGPS Pool. The impact fund will result in £65m of new Affordable Housing being built in Cornwall, and £50m of Renewable Energy investment, £25m of which will be in Cornwall.

The Fund is committed to building upon last year's successes and below are some of the tasks which the Fund hopes to complete over the course of 2023:

- Reviewing and building upon the Fund's current Responsible Investment Policy
- Continued implementation of the IIGCC Net Zero Investor Framework, to which the Fund is a signatory
- Consulting with the scheme members on their views in relation to responsible investment and feeding these into the aforementioned review of the Responsible Investment Policy
- Submitting a Task Force on Climate-Related Financial Disclosures report
- Retaining signatory status to the UK Stewardship Code 2020 by submitting an Annual Stewardship Report to the Financial Reporting Council for assessment
- To continue to build relationships and increase external engagement on responsible investment, both as a Fund and through the Brunel Partnership
- The remedy for the McCloud case and the substantial administration workload this will require
- Amending Funding Strategy Statement to account for changes in LGPS Regulations allowing for greater flexibility in employer contributions and exits payments.
- Continue embedding change to employer data gathering process from annual to online monthly returns
- Preparing for the Government's Pensions Dashboards
- Creating new processes to use My Pensions Online for document sharing
- Moving Annual Benefit Statements to online delivery

- Saving paper and modernising new starter welcome letters by sending one-page document inviting members to view more information online and to sing up to My Pensions Online

We await DLUHC (Department for Levelling Up, Housing and Communities) action following the conclusion of the Scheme Advisory Board's 'Good Governance' project last year. At the same time, we anticipate the launch of a new consolidated Single Code of Practice from TPR (The Pensions Regulator). Officers will be working with Aon to conduct a full detailed review of our governance arrangements and identifying any necessary actions before the implementation date.

During 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its updated 'Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers' alongside an updated Code of Practice. The updated documents reflect the increasing need for knowledge and skills with all parties involved in the management of the LGPS as well as with the management of their training requirements.

In 2023, The government is planning to launch a consultation on changes to Local Government Pension Scheme (LGPS) pooling regulations. Some of the proposals that are expected to be in the consultation include requiring Funds within LGPS Pools to 'have a plan' to invest up to 5 per cent of their assets to support the government's 'levelling up' plans, requirements on the management and reporting of climate risks, and accelerated progress on transition to asset pools. It is also expected to include proposals for strengthened requirements on training and expertise, greater transparency in annual reports, new scheme-level reporting, and setting a direction for greater scale and collaboration. We have reviewed the expected proposals and believe that both the Fund and the Brunel Pension Partnership are currently in an excellent position.

We also expect the DLUHC to issue regulations regarding mandatory Task Force on Climate-related Financial Disclosures ("TCFD") reporting for LGPS Funds. Since October 2021, private sector schemes with more than £5bn of assets have had to comply with TCFD rules. From October this year, this scope will widen to private sector schemes with more than £1bn in assets. It should be noted that the Fund has voluntarily committed to reporting in line with TCFD requirements and will prepare and publish its third TCFD report in 2023.

Following the conclusion of the Fund's Investment Strategy review and the Brunel Climate Stocktake, the Fund will conduct a full review of its Responsible Investment Policy. We will review the progress we have made to date, set more ambitious targets where required, and strengthen the Policy to ensure the Fund remains at the forefront of Responsible Investment best practice.

As part of building upon our aspirations, the Fund has signed up to a number of commitments and affiliations to support us on our journey, these are detailed the Responsible Investment section of this report. One of the pivotal commitments made, was the Fund being in the first wave of signatories to sign up to the ambitious Institutional Investors Group on Climate Change (IIGCC). As part of this Net Zero Asset Owner Commitment, the Fund has made a number of commitments; including to achieve net-zero portfolio greenhouse gas emissions by 2045, and a number of actions which are necessary to enable this commitment to be achievable.

The Fund will continue to engage with the IIGCC on their Net-Zero Investment Framework, and further integrate the Framework into the Fund's responsible investment practices, which includes developing a more detailed implementation plan for the listed equity portfolios and expanding the Fund's more detailed Net Zero target setting, to incorporate the other asset classes, as the research develops. For a number of the asset classes, the initial focus may be on disclosure over measurement or the use of proxies to estimate emissions, this is because the frameworks for analysing these asset classes are still being developed.

The Fund will also be reviewing its actuarial contract, currently awarded to Hymans Robertson, and its investment consultancy contract, currently awarded to Mercer. The reviews will ensure that the Fund is receiving high-quality, efficient and effective actuarial and consultancy services, which represent good value for money.

Full details on the work programme can be found in the Fund's Business Plan 2023-2026.

LGPS Data Quality

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

Pass rates for the Cornwall Pension Fund are as follows:

- Local Government Pension Scheme Common Data Quality – 95.5%
- Local Government Pension Scheme Scheme-specific Data Quality – 95.2%

National Fraud Initiative exercise

The Fund is required to participate in the National Fraud Initiative exercise which takes place every two years. This exercise is governed by the Cabinet Office and all public sector bodies are required to participate as it provides an opportunity to mitigate any possible overpayment of benefits, which in our case relates to continued pension payments to any pensioners or dependants that have died. We are currently investigating the data that was reported to the fund from the 2022 data submission.

Cornwall Local Pension Board

Local Pension Board Annual Report 2022/23 - Chairman's Statement

Welcome to the Local Pension Board (the Board) Annual Report for the financial year ending 31 March 2023. The Board has continued in its important role of assisting the Administering Authority with ensuring its compliance with regulations and best practice.

This has been another challenging year for the Fund with increased scheme complexity and the continued scrutiny from the Pensions Regulator and the Scheme Advisory Board. It is a credit to all of the officers that the Fund has continued to function very effectively during the year, with the continued provision of a high-quality service to all of the members of the Cornwall Local Government Pension Fund.

The role of the Local Pension Board and the work programme for 2022/23 is summarised below. Key assurances that the Board was able to obtain, at the four meetings held during the year, included assurance that:

- An effective and robust Investment Strategy was in place, with sound decision making procedures, utilising high quality information and professional advice.
- All of the key risks of the Fund, set out in the risk register which is examined by the Board at every meeting, were being routinely managed, with adequate actions being taken to reduce risks where possible, with one risk, (Gov 2) relating to the retention and recruitment of staff, being increased to the maximum level to reflect concerns of the Board.
- High performance levels were maintained by the Fund against the key performance indicators relating to the administration of the Fund, and that Annual Benefit Statements were sent to all active and deferred members by the statutory deadline.
- The Member Self Service project (My Pension Online) and Employer on-line system were both implemented effectively for the benefit of the members and Employers of the Fund, with increasing levels of usage during the year.
- All key statutory documents, including the Annual Report and Accounts of the Fund, were produced to a high standard within required deadlines.
- The Fund had a very high level of compliance with the Pensions Regulator Code of Practice number 14, which sets out all of the requirements determined by the Regulator to ensure the effective administration of all aspects of the Fund.
- The 2022 actuarial valuation of the Fund was undertaken as planned, with the amended employer contributions for the forthcoming three years, and a new strategic asset allocation, being agreed and effectively implemented.

Further detail of the membership and work of the Board can be found in the Work Programme section of this report, and it is pleasing to be able to report that, with the exception of the Gov 2 risk highlighted above, the Board has not identified any other significant concerns relating to the Cornwall Pension Fund or its administration for the year 2022/23.

I would like to thank all of the members of the Board for the invaluable input they have provided, and for the time they have put into their personal training and development, to ensure the continued effectiveness of the Board. I would also like to thank the Pensions Committee, who have an effective working relationship with the Board.

Finally, the Board places a great importance on being open and transparent. The papers and minutes of meetings for the Board can be found on the Fund's website using the below link.

Local Pension Board Meetings

Mark Spilsbury
Independent Chair

Role of Local Pension Board

As required by Regulation 106 of the Local Government Pension Scheme Regulations 2013, the Cornwall Pension Fund has established a local pension board, the role of which is to;

- assist Cornwall Council (CC) as Scheme Manager:

  - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS

- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator - in such other matters as the LGPS regulations may specify.

- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund.
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the LPB or person to be appointed to the LPB does not have a conflict of interest.

The Pension Board does not carry out a delegated decision making function on behalf of the Administering Authority. Instead the Pension Board will carry out an oversight function to ensure that such decisions are properly compliant with regulations, guidance and internal policies.

Details of membership

The Board is made up of equal numbers of Employer and Employee representatives, each having one vote, plus an independent non-voting Chair.

- Mark Spilsbury – (Independent Chair)
- Emma Coombe (Employer Representative) – Group Accountant at Kernow Learning MAT
- Ian Smart (Employer Representative) – Director of Business and Finance at Torpoint Community College
- Katie Dalsgaard (Employee/Scheme Member Representative) – Senior Economic Growth Officer at Cornwall Council
- Amanda Trowill (Employee/Scheme Representative) – Payroll Manager/Accountant at Truro and Penwith College
- Heather Timbrell (Employer Representative) – Principle HR Advisor at Cornwall Council
- Cosimo (Cas) Leo (Employee/Scheme Member Representative) – Town Clerk and Responsible Finance Officer at St Just in Penwith Town Council

The terms of reference for the Local Pension Board state that there should be a minimum of 2 meetings per year, however the Board aims for 4 meetings a year, to ensure a timely review of the decisions made by the Fund's governance.

Work Programme

One of the key pieces of work which the Board reviewed this year was compliance against the Pensions Regulator Code of Practice number 14 and guidance from the Scheme Advisory Board. This review was completed using a checklist of requirements which is completed by officers and reported to the Board.

One of the key standing items which the Board reviews at each meeting, are the decisions that were made at the preceding Pensions Committee meeting, noting any updates that have happened since that meeting. This has ensured that the Board is kept up to date with the key decisions made by the Administering Authority.

The Board has a detailed work programme, which is taken as a standing item to each meeting, to enable oversight of the process. Below are some of the key standing items which the Board reviews, to assist the Scheme Manager in being compliant with the regulations:

- Reviews decisions made at Pensions Committee
- Reviews developments with Brunel Pensions Partnership
- Reviews the Risk Register and Breaches Log
- Administration update (including KPI monitoring)
- Cornwall Pension Fund's Statement of Accounts and Annual Report
- Review of the Fund's Business Plan
- Board's Training Plan

Training

The Fund has a Training Strategy in place for the Pensions Committee, Local Pension Board, and Officers, which can be viewed here: Training Strategy. It has been established to aid the Pensions Committee, Pension Board, and Officers in understanding their respective responsibilities in relation to the Fund, and to ensure that the Cornwall Pension Fund is overseen by individuals who have the appropriate levels of knowledge and skills. The strategy reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks. In addition, following extensive consultation and engagement with the LGPS community, the Scheme Advisory Board (SAB) made recommendations in its Good Governance report that relate directly to the attainment of knowledge and skills. Although the findings of the Good Governance Review have yet to be formally adopted in statutory form, the Fund's Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the Cornwall Pension Fund.

Details of the training delivered to members of the Board during the year can be found on page 18.

Conflicts of Interest

Managing conflicts of interest is vital to good governance in every pension fund.

The Fund recently agreed a new Conflicts of Interest Policy, which applies to the Pensions Committee, Local Pension Board, Officers, and advisors to the Fund. The policy sets out a number of steps to ensure that any perceived or actual conflict of interest is managed. The policy can be viewed here: Conflicts of Interest Policy

Brunel Pension Partnership publish a COI summary, which includes a specific section on Stewardship conflicts of interest. The summary can be viewed here: Brunel - Conflicts of Interest Summary

Managing conflicts of interest

During the year, there were no potential or actual conflicts identified which needed managing.

Our Conflicts of Interest Policy provides examples of potential conflicts of interest that could arise, some examples being:

- An elected member on the Pensions Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.
- A member of the Pensions Committee is a board member of an Investment Manager that the Committee is considering appointing.
- An elected member on the Pensions Committee also has a role in driving carbon reduction in their local authority area, which also happens to be the administering authority for the Fund.

Our Conflicts of Interest Policy alco sets out the steps we would take should a conflict of interest arise that required managing. Some examples of ways in with conflicts of interest may be managed include:

- The individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- The individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions Committee meeting), or
- A working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Declaration of interests

When Members are elected to the Pensions Committee or Local Pension Board, they are required to fill out a declaration of interests form within 28 days of election, which is published on the website. Members are then required to update the form to declare any new conflicts of interest, should they arise, as soon as reasonably practical. In addition, members are also expected to declare if they have an interest in any items on an agenda at the beginning of every meeting, under the 'Declarations of Interest' item. Members are expected to say whether they have a non-registerable interest or a disclosable pecuniary interest and give the reason why, so it can be minuted.

With regards to Fund Officers: Officers are also required to declare any conflicts of interest on an annual basis, with a requirement to declare any new conflicts of interest, should they arise, as soon as reasonably practical.

Stewardship conflicts of interest

With manager selection being the responsibility of Brunel, and voting the responsibility of the partnership's engagement and voting services provider, Hermes EOS; there is extremely limited scope for stewardship related conflicts of interest to occur at the Cornwall Pension Fund level. In addition, the Fund's Pensions Committee has a fiduciary duty to act in the best interest of Fund members, so the personal opinions or interests of Committee members will not factor into decision making. Should a stewardship related conflict of interest be identified, it would be managed as per the process set out above, and in the Fund's Conflicts of Interest Policy.

With there being more scope for potential stewardship related conflicts of interest at Brunel, Brunel also publish their own Conflicts of Interest Policy. The Policy contains details on how Brunel manages conflicts of interest, and also provides examples of potential stewardship related conflicts which could arise. These can be viewed here: Brunel - Conflicts of Interest Summary

Brunel's policy on conflicts may be best understood by considering its impact in practice. In Brunel's Annual Responsible Investment and Stewardship Outcomes Report, they will provide case studies to provide further explanation on where potential conflicts of interest have been managed to ensure they act in the best interest of their clients.

The effective management of potential conflicts of interest is a key component of Brunel's due diligence on all asset managers and service providers, as well as our ongoing contract management. Conflict of interest clauses are included in investment management and service agreements. For example, where our voting provider perceives a potential conflict when executing votes on our behalf, they alert us to give an opportunity to further review the recommendations before they are instructed.

2022 Brunel Conflicts of Interest example:
Having both public and private market investment occasionally generates a potential conflict of interest. Public and private companies can have significant business relations and we may have investments in both parties. Brunel outsources stock selection to asset managers and engagement to our appointed voting and engagement providers, but we do at times undertake direct engagement which can present a potential conflict.

In 2022, one such incident occurred when Brunel was considering co-filing a shareholder resolution at Sainsbury's. Supermarkets often do sale and leaseback transactions with property funds. Sainsburys is a large tenant of several of Brunel's property funds therefore anything that changes their financial position has a wider impact. The resolution seeking accreditation to the real living wage foundation was escalated to clients through the Responsible Investment Sub Group, to the Chief Investment Officer and discussions were undertaken to canvas wider views on the resolution, ultimately clients supported the resolution and Brunel proceeded with co-filing.

Social Impact Portfolio conflicts

The Fund has a Social Impact Portfolio which accounts for 7.5% of the Fund's Strategic Asset Allocation. This allocation targets investment opportunities in Cornwall, in addition to wider regional, national, and potentially international opportunities, with investments defined by alignment to the United Nations Sustainable Development Goals ("UNSDGs")

The portfolio having investment opportunities in Cornwall creates a potential conflict of interest, this is due to elected members of the Pensions Committee having roles on other Cornwall Council committees and also a commitment to the constituencies in Cornwall they were elected to represent. To mitigate this potential conflict, the Pensions Committee approved a Social Impact Governance Framework which specifies that investments must be made through regulated investment vehicles (which have a focus on institutional investors) and that the investment managers are delegated the investment responsibility (i.e. officers and the Pensions Committee are at arm's length and are not involved in and do not make specific investment decisions once a manager has been appointed).

Administering Authority Policies

The officers of the Fund are employed by the administering authority of the Fund (Cornwall Council) and as such, corporate policies, including the following policies, apply to officers in terms of day-to-day working practices.

Carbon Neutral Cornwall

On 22 January 2019 Cornwall Council declared a climate emergency. Following this the Council prepared a report outlining how to reduce carbon emissions towards becoming carbon neutral by 2030. In July 2019, the Cabinet approved the ambitious plan. Please see further details here: Climate Emergency - Cornwall Council

Equality and Diversity

The Council has published its own corporate Equality and Diversity framework in order to help it deliver its challenging and ambitious improvement programme. Please see further details here: Equality and Diversity - Cornwall Council

Performance of the Fund

An update from the Fund's investment consultant - Mercer

I am pleased to provide an update from an investment perspective on the activities of the Cornwall Pension Fund (CPF) during 2022/23. As the Fund's Investment Consultant, I provide advice to the Fund on investment strategy and the management of various investment risks.

Investment Strategy Statement (ISS)

When considering the Fund's investments, it is appropriate to start with the overall investment objectives, which are set out in the ISS. It is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objective is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out below on an on-going basis:

- To take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- To use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency;
- To, where appropriate, ensure stable employer contribution rates;
- To reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- To use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

This report demonstrates progress made towards these long-term objectives during 2022/23, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Market Commentary

The second quarter of 2022 saw a continuation of the broad macro trends seen since the beginning of 2022. Surging commodity prices, to some degree the result of the ongoing conflict in Ukraine and associated sanctions against Russia, alongside the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. Central banks in major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialled down over the quarter, with a growing number of investors seeing a recession as an increasingly plausible scenario. On the brighter side, there was evidence of supply chains gradually beginning to improve.

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore, most major asset classes ended the quarter with negative returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November, but hawkish messaging from central banks in December led to a premature end of the “Santa rally” even though the quarter as a whole ended with positive equity returns for the first time in a year.

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected.

Overall, the 12-month period to March 2023 saw tightening of financial conditions by major central banks, with the notable exception of China and to some extent Japan, who changed their yield curve control in Q4 2022 by widening the permitted range of the 10-year yield. Inflation remained elevated and peaked in 2022 Q4.

On a year-on-year basis to 31 March 2023, Sterling returns for developed market equities were marginally negative, -0.7%. Sterling depreciation mitigated negative equity performance for unhedged UK investors. Emerging market equities also posted negative returns. Markets sold off for the first three quarters of 2022 as inflationary pressures, exacerbated by Russia's invasion of Ukraine, accelerated monetary tightening from developed market central banks and heightened recessionary risks. Markets attempted to stage a mini-rally in July 2022 but this proved short lived as the Federal Reserve re-iterated its hawkish outlook for monetary policy. A similar rally took place in October and November following some softer than expected US inflation data, but positive momentum came once again to an end in December after major central banks retained their hawkish forward guidance. Q1 was a volatile quarter once again as a speculative rally in January characterized by short selling gave way to a risk off environment driven by distress in the banking system with investor expectations pivoting between monetary tightening ending and having to continue for longer. The quarter ended with positive returns for most equity sub sectors, in particular technology which benefited from falling real yields.

On a year-on-year basis to 31 March 2023, UK government bond returns were deeply negative, -16.3%, as were returns for UK corporate bonds, -10.3%. Inflation-linked bonds also performed poorly over the year, -26.7%.

In 2022, inflation pressures in the UK showed little signs of receding until very late in the year. The Bank of England had started its hiking cycle as early as late 2021. By the end of Q2 2022 the UK base rate reached 1.25%. In September 2022, the UK went through a major government bond (gilt) sell-off after the government announced a mini budget that markets deemed fiscally unsound. In the immediate aftermath following the mini-budget, 10-year yields spiked ~70 bps higher. Two weeks following the announcement despite volatility falling, 10-year yields remained 40 bps higher than where they were prior to the announcement, this said over this period gilts did not perform considerably different to other government bonds globally. For context, over the 12-month period to March 2023, 10-year UK gilts yields rose 188bps. Markets positioned for the Bank of England having to double down on tightening in order to offset the expansionary mini budget. Soaring yields led to a scramble for collateral by UK pension plans who were exposed to leveraged liability hedging strategies. This ultimately led to the Bank of England providing liquidity support at the longer end of the yield curve. However, the Bank of England also continued to raise rates in the third and fourth quarter of 2022, ending the year at a base rate of 3.5%. Bond yields fell slightly through Q1 2023 despite the BOE continued raising rates, with the base rate increasing 0.75%, finishing March 2023 at 4.25%.

UK real yields rose over the 12 months to March 2023, with most of the increase in yields occurring in Q3 2022, in particular September. 10-year real yields rose 247bps over the 1-year period to 31 March 2023. Market-based measures of inflation, as measured by the 10-year break-even inflation rate fell by 57bps over the 12-month period reaching 3.7% as at the end of March 2023 – lower than the recent peak of 4.5% reached in May 2022. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022 when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads widened over the 12-month period to March 2023, leading to a negative performance for spread based assets, albeit most of the negative impact was led by rising gilt yields. The negative return impact of rising government bond yields was exacerbated by rising credit spreads. Non-gilt credit spreads widened by 39 basis points over the 12-months to March 2023. Credit marginally underperformed equivalent duration government bonds. However, given most bond indices were down in double digit figures over the 12-month period to March 2023 this relative underperformance was not a headline.

The UK property market is going through a period of correction driven by the unprecedented rises in interest rates which are yet to come to an end. While higher interest rates are negatively affecting the yield side of the returns equation, strong inflation is having a broadly positive impact on rental growth as part of returns. The UK, due to its tradition of monthly valuations and deep investor base, tends to be the fastest correcting property market in the world, which means that during downturns pricing opacity and low market transparency are deemed to be less problematic then elsewhere.

After reaching a low point of gross asset-level returns at -14.5% for the 3-months to December, the MSCI UK Monthly Property Index shows the negative return trend improving over the first quarter, with the 3-months to February 2023 recording a negative total return of -3.7%. All property types continued to record negative but moderating returns. In the 3-months to February 2023 capital growth ranged between -1.4% in residential to -6.4% in industrial.

The price of Brent Crude Oil fell 25.8% from $107.46 to $79.76 per barrel over the one-year period to 31 March 2023. Over the same period, the price of Gold rose 1.8% from $1941.15 per troy ounce to $1976.50. The S&P GSCI Commodity Spot Index returned -15.6% over the one-year period to 31 March 2023 in Sterling terms.

Performance of the Fund

Over the 12-month period to 31 March 2023, Sterling depreciated by 6.1% against the US Dollar from $1.32 to $1.24. Sterling appreciated by 3.0% against the Yen from ¥159.81 to ¥164.56. Sterling depreciated against the Euro by 6.1% from €1.32 to €1.24 over the same period.

Cornwall Pension Fund Investment Performance 2022/23

This report is produced by Mercer Limited ("Mercer") to assess the performance and risks of the investment managers of the Cornwall Pension Fund (the “Fund”), and of the Fund as a whole.

Fund performance

The Fund returned -1.0% in 2022/23 which is below the expected long term absolute return assumption of 4.4% p.a. as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). The Fund returns were below the Total Fund benchmark by 2.8%. Over three years to 31 March 2023, the Fund achieved a return of +6.6% (p.a.) compared with a Total Fund benchmark of +7.3% p.a.

The **Equity portfolio** consists of Global High Alpha, Emerging Market, and Sustainable allocations. Additionally, any committed, but undrawn, capital to Private Equity is invested in Global Small Cap and Global High Alpha equities until capital is called. Over the year to 31 March 2023, the total Equity assets returned -1.2%, ahead of the benchmark of -1.3%. Developed markets fell significantly in Q2 2022 as concerns about rising inflation, recessionary fear and monetary tightening continued. Both Global High Alpha fund and Sustainable Equities fund recovered over the remainder of the year. Sustainable Equities recovery was not as strong and underperformed its benchmark due to its significantly low allocation to the Energy sector (which delivered strong returns in 2022), and although the fund had minimal exposure to the overall Bank sector, had exposure to Silicon Valley Bank, which ran into issues in Q1 2023. The Emerging Market equity fund was a contributor towards the total Equity negative return over the year and underperformed its benchmark. This was mainly due to overweight positions in Taiwanese Information Technology and Material stocks, underweight allocation to certain Consumer Discretionary stocks and turbulences in China such as the zero-Covid policy throughout 2022.

The **Multi Asset Credit (MAC)** holding has returned -3.4% p.a. over the year in a period of rising interest rates and widening credit spreads, 9.7% below the Cash +4% target.

The **Alternatives portfolio** consists of different asset classes such as Diversified Growth (DGF), Infrastructure, Private Equity and Private Debt. Over the year, Alternatives produced a positive return of 2.4%, underperforming its benchmark by 3.9%. Except for the Diversified Growth Fund (‘DGF’), all alternative assets generated positive returns over the year.

Over the year, the **Property portfolio** outperformed its benchmark by 2.9%, generating a negative absolute return of -9.7%. Over the three-year period, Property underperformed its benchmark by 0.1% p.a., but generated a positive absolute return of 3.0% p.a..

The **DGF portfolio** consists of the Brunel Diversifying Returns fund, which make up approximately 8.1% of the total assets as at 31 March 2023. Over the one-year period, the Brunel Fund has underperformed the SONIA +4% target by 9.1% p.a., returning -2.8% p.a. in absolute terms over the period. The absolute return since inception is -1.4%.

Over the course of the year, the **TAAP** had exposure to Developed Equity, Emerging Market Equity, Listed Infrastructure, Listed Real Estate, Commodities, Emerging Market Debt, Derivatives, Credit and Cash. It returned -2.7% over the year, underperforming its benchmark by 1.9%.

The **Infrastructure portfolio** consists of Infracapital, Federated Hermes and the Brunel Infrastructure Portfolio. All managers produced positive absolute returns over the year, with the best performer being Brunel’s Cycle 2 portfolio at 18.7%. All managers, with the exception of Federated Hermes, outperformed their respective benchmarks over the year. Brunel Infrastructure Cycle 3 portfolio was introduced in October 22 and returned -2.0% to 31 March 2023.

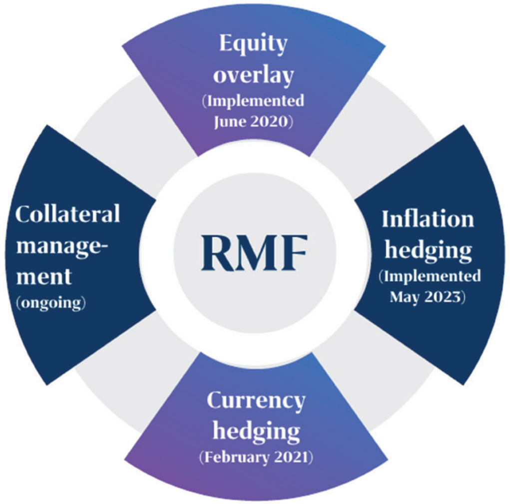
The **Private Equity portfolio** consists of Aberdeen Standard’s mandate, Wilshire’s mandate, Environmental Technologies and Brunel’s Cycle 2 portfolio. Environmental Technologies was the top performer, producing 3.9% over the year whilst Aberdeen Standard’s mandate produced negative returns of -18.1% over the year.

The **Private Debt portfolio** consists of the Golub Capital Partners International Fund, an Arcmont Private Debt mandate, as well as Brunel’s Cycle 2 and 3 portfolios. All managers produced positive absolute returns over the year, with the best performer being Golub at 14.5%.

The **Social Impact Portfolio** consists of Brunel Cornwall Local Impact Fund and was introduced in May 2022. Since inception to 31 March 2023 the portfolio returned 2.1%, underperforming the net 5% p.a. target by 2.3%.

The **Risk Management Framework (RMF)** consists of an equity overlay and currency hedging mandate managed by Blackrock. As at 31 March 2023 the strategy was 2.0% overweight relative to its strategic allocation.

Performance of the Fund

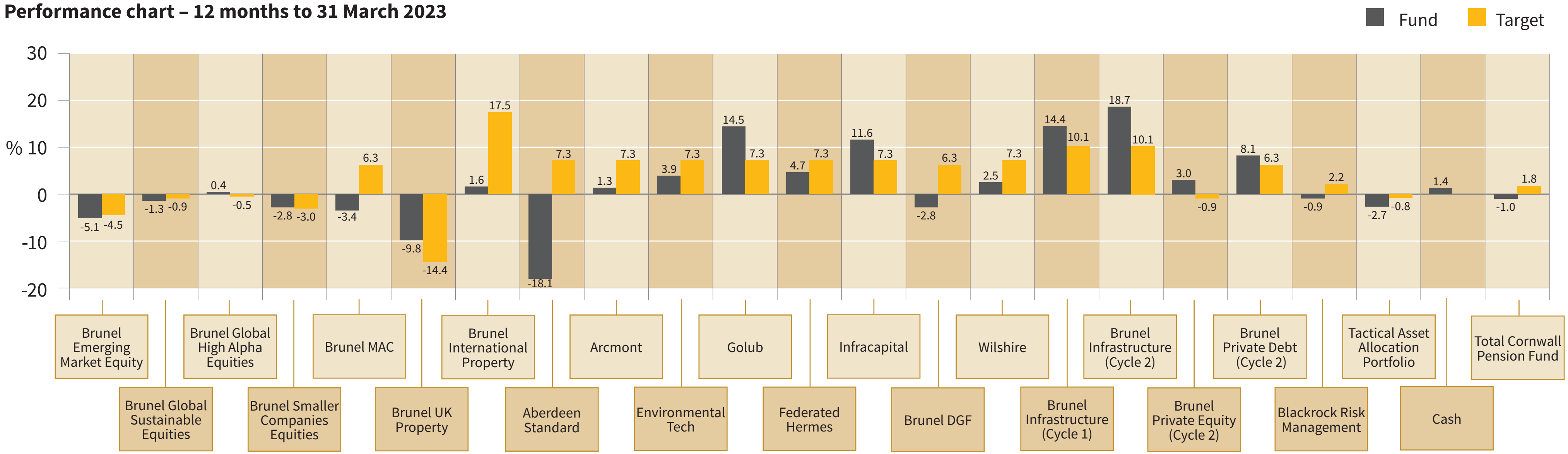


The diagram left illustrates the individual components of the framework, including the introduction of new strategies for risk mitigation/minimisation.

Manager Performance Summary

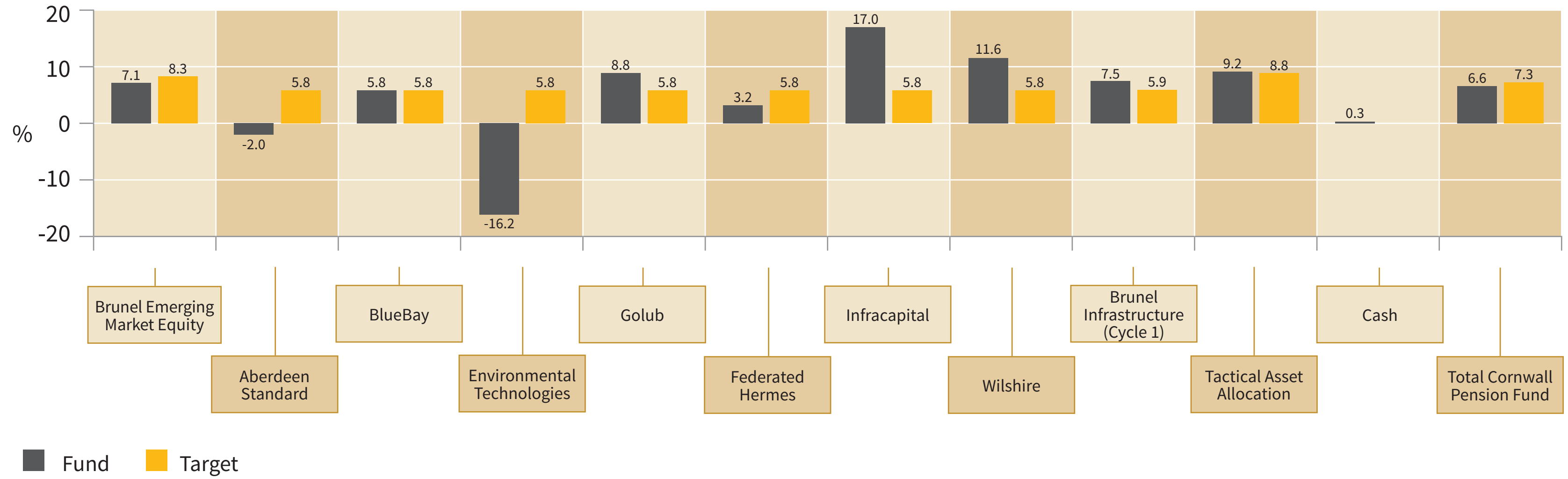
The following charts below summarise the performance for 12 months, 3 year and 5 year against the target for each of the Fund's asset classes and managers together with the total Fund.

Performance chart – 12 months to 31 March 2023

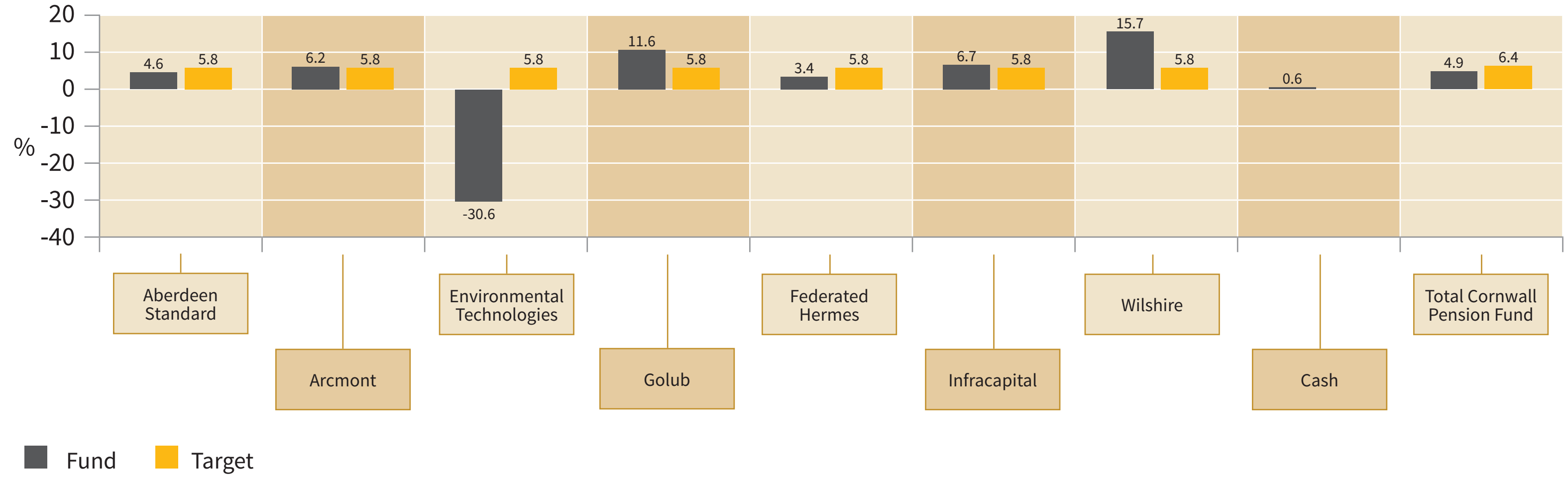


Performance of the Fund

Performance chart - 3 Years to 31 March 2023



Performance chart - 5 Years to 31 March 2023



Performance of the Fund

Investment Strategy

Over the year to 31 March 2023 the following changes were implemented:

- The strategic allocation to Developed Core Equity was switched to the Global High Alpha;
- The Fund completely disinvested out of the Invesco Perpetual Diversified Growth Fund; and
- The first commitments to the Brunel Cornwall Local Impact Fund, Brunel Private Equity Cycle 2 fund and Brunel Private Debt Cycle 3 fund were made.

A comprehensive review of the Fund's investment strategy took place over 2022/2023, alongside the triennial Actuarial Valuation. The agreed changes to the investment strategy will be implemented post year-end but the updated strategic allocations are outlined in the table below. The agreed changes to the strategy were as follows:

- Developed Market Equity allocation increased from 23.0% to 24.5%, split as follows:
  - 11.5% to Developed High Alpha Equity (1.5% increase)
  - 13.0% to Global Sustainable Equity (no change)
- Emerging Market Equity allocation reduced from 8.0% to 5.0%
- Diversified Growth allocation reduced to zero (was 7.5%)
- New allocation of 7.0% to Investment Grade Credit
- Property allocation reduced from 7.5% to 5.0%, and split 80%/20% between UK Property and International Property
- Social Impact allocation increased from 5.0% to 7.5%
- Risk Management Framework (RMF) allocation increased from 13.0% to 15.0%

Asset Class	2022 Strategic Allocation	2023 Strategic Allocation	Change
Liquid Assets			
Developed Market Equity	23.0%	24.5%	↑
Split into:			
Developed High Alpha Equity	10.0%	11.5%	↑
Global Sustainable Equity	13.0%	13.0%	↔
Emerging Market Equity	8.0%	5.0%	↓
Diversified Growth	7.5%	0.0%	↓
Multi-Asset Credit	5.0%	5.0%	↔
Investment Grade Credit	0.0%	7.0%	↑
Illiquid/Alternative Assets			
Property	7.5%	5.0%	↓
Private Equity	5.0%	5.0%	↔
Infrastructure	12.0%	12.0%	↔
Private Debt	6.0%	6.0%	↔
Social Impact	5.0%	7.5%	↑
Risk Management			
Tactical Asset Allocation Portfolio	8.0%	8.0%	↔
Risk Management Framework	13.0%	15.0%	↑

The following table shows the actual asset allocations as at 31 March 2022 and 31 March 2023.

Asset Class	Actual Allocation at 31 Mar 2022	Actual Allocation at 31 Mar 2023
Developed Market Equity	28.4%	28.5%
Developed Core Equity	14.7%	14.9%
Global Sustainable Equity	13.7%	13.6%
Emerging Market Equity	7.6%	7.3%
Diversified Growth	10.7%	8.1%
Multi-Asset Credit	6.9%	6.7%
Investment Grade Credit	0.0%	0.0%
Property	6.6%	6.0%
Private Equity	2.6%	2.6%
Infrastructure	7.1%	9.0%
Private Debt	3.3%	4.7%
Social Impact	0.0%	1.1%
Tactical Asset Allocation Portfolio	8.7%	8.5%
Risk Management Framework	15.1%	15.0%
Cash[1]	2.9%	2.5%

[1] Cash consists of Fund cash, residuals, and Brunel cash.

Performance of the Fund

LGPS Code of Transparency

In 2017, the LGPS Scheme Advisory Board introduced a Code of Transparency for asset managers, to encourage transparent reporting of costs. The Code is voluntary but is being widely adopted across the LGPS including within the developing pools. The Scheme Advisory Board is monitoring and reporting on those managers that have committed to the Code, and it is pleasing to note that the majority of the Fund's major managers (by assets under management) have signed up:

Aberdeen Standard Investments

BlackRock

Brunel Pension Partnership

Federated Hermes

Infracapital (M&G Investments)

Insight Investment

Invesco

Legal & General Investment Management

United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to Sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. It is pleasing to report that the majority of the Fund's major managers (by assets under management) are UN PRI signatories:

Aberdeen Standard Investments

Arcmont Asset Management

BlackRock

Brunel Pension Partnership

Federated Hermes

Infracapital (M&G Investments)

Invesco

Legal & General Investment Management

Wilshire Associates Incorporated

Private Markets Portfolio

Private Markets Portfolio as at 31 March 2023

Investment	Number of Funds
Property Open Ended Holdings	**23**
Brunel UK Property	22
Brunel International Property	1
Infrastructure	**6**
Infracapital	2
Federated Hermes	1
Brunel	3
Private Equity	**9**
Aberdeen Standard	3
Wilshire	4
Environmental Technologies	1
Brunel	1
Private Debt	**4**
Golub Capital Partners	1
Arcmont	1
Brunel	2

Aniket Bhaduri
Director, Investments – Mercer

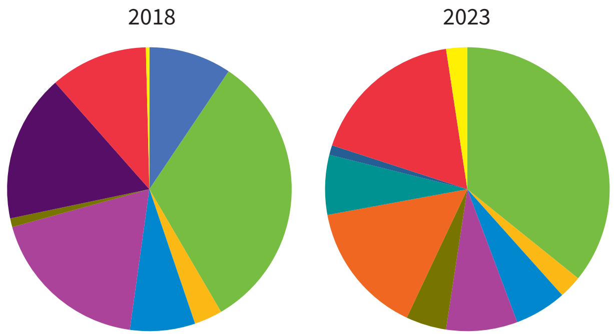
Performance of the Fund

Market values

The market value of the Fund's investments, cash, and other assets, on the 31 March 2023 was £2,345 million, compared to a value of £2,363 million on the 31 March 2022.

The following tables show how the Fund's assets have been invested, both in terms of asset classes and geographies.

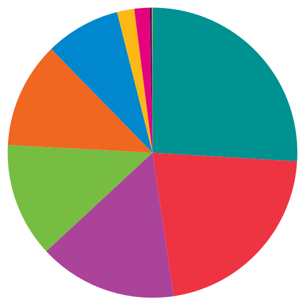
% of the Fund	2018	2023
Unit Trust Bonds	9.4	0.0
Equities	32.2	35.8
Private Equities	3.2	2.6
Property Unit Trusts	7.4	5.9
Diversified Growth Fund	18.5	8.1
Private Debt	1.0	4.6
Liability Driven Investment	16.8	0.0
Risk Management Framework	0.0	15.1
Multi Asset Credit	0.0	6.8
Social Impact	0.0	1.1
Other investments	11.1	17.6
Cash	0.4	2.4
	100.0	100.0



N.B. Other investments includes hedge funds, infrastructure funds and unitised insurance funds.

% of the Fund	2023
North America	25.94
Global[1]	21.72
Other[2]	15.44
UK	12.74
Europe (Ex UK)	11.83
Emerging Markets[3]	8.38
Asia (Ex Japan)	1.93
Japan	1.69
Australia	0.27
South America	0.05
	100.0

N.B. The 2023 figures are at 31 March 2023.

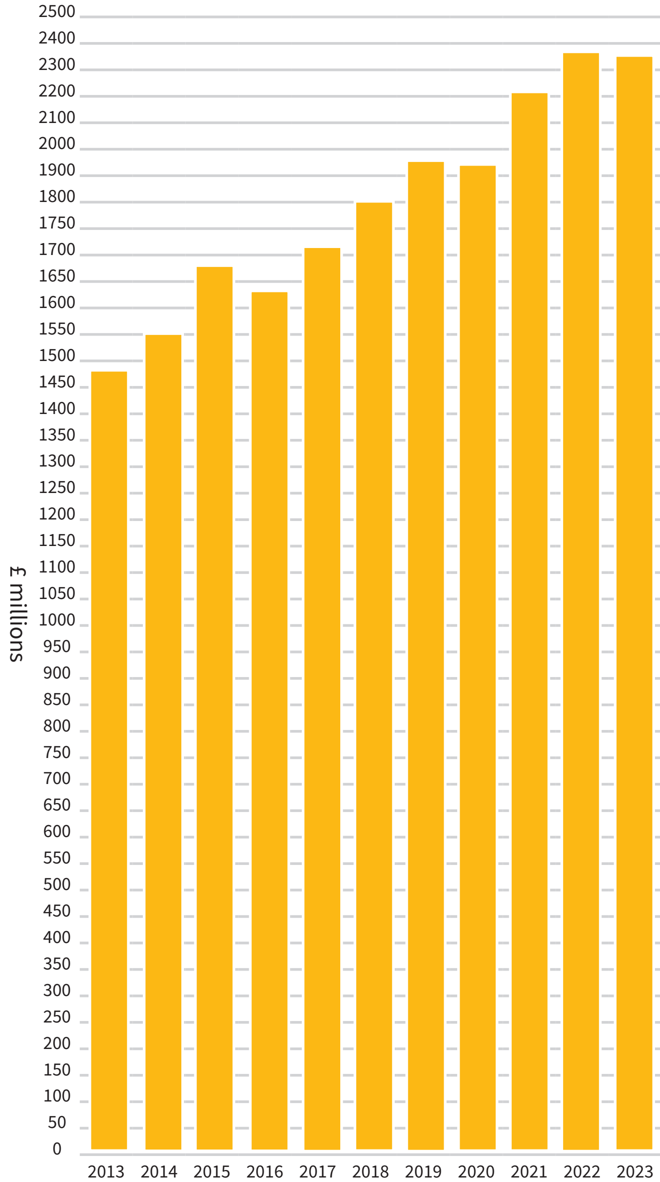


[1] These are investments that span multiple global geographies, so cannot be apportioned to a specific geographic location.

[2] This is related to the Fund's Risk Management Framework. This is a protection portflio which is used to hedge risk rather than to gain exposure to specific asset classes or geographies.

[3] These are investments that span multiple emerging market geographies, so cannot be apportioned to a specific geographic location.

The chart below shows the movement of market values (including cash and other assets) since 2013.



Market values from 31 March 2013 to 31 March 2023

Performance of the Fund

Tables on equity and property fund holdings

Pooled equity funds on 31 March 2023	£m
Brunel Global High Alpha Equity	321.115
Brunel Global Sustainable Equities	319.165
Brunel Emerging Market Equities	170.274
Brunel Smaller Companies Equities	26.724
Total pooled equity funds	**837.278**

Largest 10 Brunel Global High Alpha Equities holdings on 31 March 2023	%
Microsoft Corp	5.4%
Amazon.com Inc	3.0%
Alphabet Inc	2.6%
Mastercard Inc	2.6%
Unitedhealth Group Inc	2.0%
Nestle SA	1.9%
Taiwan Semiconductor	1.9%
Moody's Corp	1.4%
ASML Holding NV	1.4%
Keyence Corp	1.4%

Largest 10 Brunel Global Sustainable Equities holdings on 31 March 2023	%
Microsoft Corp	2.6%
Mastercard Inc	2.5%
Ansys Inc	2.4%
Marketaxess Holdings Inc	2.3%
Adyen NV	2.1%
Nvidia Corp	1.8%
Intuit Inc	1.8%
ASML Holding NV	1.7%
Synopsys Inc	1.6%
Taiwan Semiconductor	1.6%

Largest 10 Brunel Emerging Market Equities holdings on 31 March 2023	%
Taiwan Semiconductor	7.6%
Tencent Holdings Ltd	4.7%
Samsung Electronics Co Ltd	4.2%
Alibaba Group Holding Ltd	3.0%
AIA Group Ltd	2.3%
Naspers Ltd	1.6%
Netease Inc	1.5%
HDFC Bank Ltd	1.3%
Meituan	1.2%
Bank Central Asia TBK PT	1.2%

Largest 10 Brunel Smaller Companies Equities holdings on 31 March 2023	%
Jabil Inc	1.6%
Fortnox AB	1.3%
Pro Medicus Ltd	1.2%
Thermon Group Holdings Inc	1.1%
MTU Aero Engines AG	1.1%
4Imprint Group Plc	1.1%
Fujitec Co Ltd	1.1%
Brunswick Corp/DE	1.1%
Moncler SPA	1.1%
First Solar Inc	1.0%

Property unit trusts on 31 March 2023	£m	%
Industrial Property Investment Fund	17.717	12.8%
UBS Triton Property Unit Trust	16.689	12.1%
CBRE Global Investors UK Property Fund	14.482	10.5%
Federated Hermes Property Unit Trust	14.253	10.3%
Schroder UK Real Estate Fund	13.648	9.9%
Bridges Property Alternatives Fund IV Unit Trust	9.170	6.6%
BlackRock UK Property Fund	7.755	5.6%
M&G UK Residential Property Fund	6.929	5.0%
PP Property Finance PCC	6.358	4.6%
UBS Life Sciences Trust	5.623	4.1%
PGIM UK Affordable Housing	4.915	3.5%
ASI Airport Industrial Property Unit Trust	4.231	3.1%
Ardstone UK Regional Office Fund	3.860	2.8%
Threadneedle Property Unit Trust	3.823	2.8%
Octopus Healthcare Fund	3.247	2.3%
DV4 Ltd	2.890	2.1%
Curlew Student Trust	1.792	1.3%
Nuveen UK Shopping Centre Fund	0.535	0.4%
Ostara Japan Fund 3 LP	0.314	0.2%
FRXL Co-Investment	0.129	0.1%
RREEF UK Property Ventures Fund No 3	0.068	0.0%
FRXL Co-Investment 2	0.048	0.0%
Palmer Capital Development Fund III	0.003	0.0%
Total Property Unit Trusts	**138.479**	**100.0%**

Performance of the Fund

Income on the Fund

A meaningful assessment of future income must take account of how much we can expect income to increase with inflation and how far the growth in capital can increase the money available to pay out the Fund's liabilities.

During 2022-23, the income created by the Fund's investments, net of tax, was £18.235m and represented a return of 0.78% on the average market value. The return achieved in 2021-22 was 0.73%. This does not represent all dividend income for the Fund. Other income is generated by the Fund's investments but the holdings are in accumulation share classes, which are held for capital growth. The income is held back and reflected in the unit price.

Financial Performance

Transactions with Scheme Members	**2022/23 Original Estimate £' 000**	**2022/23 Actuals £' 000**	**2022/23 Variance £' 000**	**2023/24 Estimate £' 000**	**2024/25 Estimate £' 000**	**2025/26 Estimate £' 000**
Income						
Employees' contributions	18,400	20,166	1,766	18,250	18,904	19,580
Employers' contributions	74,160	75,952	1,792	73,550	76,296	79,020
Transfers In	4,000	6,215	2,215	6,000	6,300	6,600
	96,560	**102,333**	**5,773**	**97,800**	**101,500**	**105,200**
Expenditure						
Transfers out	4,000	4,713	713	6,000	6,300	6,600
Benefits paid - Pensioners	65,920	68,170	2,250	72,000	73,000	74,500
Benefits paid - Widows and Dependants	5,350	5,564	214	5,700	5,950	6,250
Benefits paid - Lump sums	14,400	11,938	(2,462)	17,580	7,590	9,750
Benefits paid - Death benefits	1,650	2,066	416	1,720	1,760	1,800
Total Expenditure	**91,320**	**92,451**	**1,131**	**103,000**	**94,600**	**98,900**
Net dealings with Scheme Members	**5,240**	**9,882**	**4,642**	**(5,200)**	**6,900**	**6,300**

Performance of the Fund

Expenditure	2022/23 Original Estimate £' 000	2022/23 Actuals £' 000	2022/23 Variance £' 000	2023/24 Estimate £' 000	2024/25 Estimate £' 000	2025/26 Estimate £' 000
Brunel Service Charge (Including Custodian Charges)	1,027	1,042	15	1,142	1,248	1,335
Fund Advisers Fees and Costs	310	257	(53)	294	310	322
Fund Actuary's Costs	230	261	31	230	235	290
Legal fees, subscriptions and other costs	103	164	61	188	197	203
	1,670	**1,724**	**54**	**1,854**	**1,990**	**2,150**

Fund Manager Fees	2022/23 Actuals £' 000	2021/22 Actuals £' 000	2020/21 Actuals £' 000	2019/20 Actuals £' 000	2018/19 Actuals £' 000	2017/18 Actuals £' 000
Management Fees[1]	12,511	12,543	12,517	11,077	9,730	8,743
Performance Fees	597	1,175	482	873	356	1,473
Transaction Costs	5,518	1,930	1,723	3,164	2,779	6,806
Other Costs[2]	3,922	2,950	1,076	2,404	2,737	2,048
Total Manager Fees	**22,548**	**18,598**	**15,798**	**17,518**	**15,602**	**19,070**

[1] Management Fees include the Brunel service charge

[2] Other Costs are investment management expenses incurred which do not fall into the other subheadings

Operating Expenses	2022/23 Original Estimate £' 000	2022/23 Actuals £' 000	2022/23 Variance £' 000	2023/24 Estimate £' 000	2024/25 Estimate £' 000	2025/26 Estimate £' 000
Strategy and Investments	455	406	(49)	608	637	668
Pensions Administration Section	1,613	1,576	(37)	1,840	1,936	2,065
	2,068	**1,982**	**(86)**	**2,448**	**2,573**	**2,733**

Asset pooling

Brunel Pension Partnership

Overview

Administering authorities are required by regulation to commit to a suitable pool to achieve benefits of scale. The Cornwall Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (Brunel). Cornwall Council has approved the full business case for Brunel, as have the other administering authorities. Brunel Pension Partnership Limited was formed in October 2016 and is wholly owned by the administering authorities. Brunel obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an investment advisor.

It is anticipated that the remaining Fund's investment assets will be transitioned across from our existing investment managers to portfolios managed by Brunel by the end of 2023/24, in accordance with a timetable that has been agreed between the administering authorities and Brunel. This does not include the illiquid assets the Fund is already invested in, such as private equity, infrastructure and private debt, which will run off at a normal lifecycle. However, new commitments to these alternative asset classes will be made through Brunel, based on agreed principles.

Until such time as these transitions take place, the Fund will continue to maintain the relationships with our current investment managers and oversee their investment performance.

Summary of 2022/23

During the course of the year, as part of the implementation of the Fund's investment strategy and the further implementation of pooling, the Fund transitioned a number of assets to Brunel, and also made new investments in Brunel funds, as detailed below.

The Fund fully divested from its Brunel Core Global Equity holding (Newton), and invested the entirety of the proceeds into the Brunel Global High Alpha fund.

The Fund also fully divested from its diversified growth holding with Invesco, and invested the entirety of the proceeds into the Brunel Diversifying Returns Fund.

In addition, the Fund made its first transfer of funds into the Social Impact Portfolio. The transfer of £25m to Schroders Greencoat has been deployed in an infrastructure liquid alternative portfolio, while awaiting drawdown from Schroders Greencoat into Cornish renewable energy investments.

The Brunel Private Debt Portfolios, to which Cornwall has committed £140m, continued to drawdown capital through the year, and were valued at £50.050m on the 31st of March 2023.

The Brunel Private Equity Portfolios, to which Cornwall has committed £95m, continued to drawdown capital during the year, and were valued at £19.807m on the 31st of March 2023.

The Brunel Infrastructure Portfolios, to which Cornwall has committed £190m, continued to drawdown capital through the year, and were valued at £100.656m on the 31st of March 2023.

Asset pooling

Pool set-up and Transition Costs

The Pool set up and transition costs for Cornwall are detailed below. There were no setup costs for 2022-23, as the company was operational by this point, however the cumulative total for the setup costs prior to this is shown below. Brunel's ongoing service charge to Cornwall Pension Fund for services provided for the year 2022-23 was £1.042m. The transition costs incurred during the year reflect the transition of the Fund's Brunel Core Global Equity holding (Newton), to the Brunel Global High Alpha fund, and the transition of the Fund's diversified growth holding with Invesco, to the Brunel Diversifying Returns Fund.

Cornwall	Direct £000s	Indirect £000s	Total £000s	Cumulative £000s
Set up cost:				
Recruitment	-	-	-	18
Legal	-	-	-	133
Consulting, Advisory and Procurement	-	-	-	82
Other support costs e.g. IT, Accommodation	-	-	-	-
Share purchase / Subscription costs	-	-	-	840
Other working capital provided e.g. loans	-	-	-	-
Staff costs	-	-	-	-
Total set up costs	**-**	**-**	**-**	**1,072**
Transition costs:	-	-	-	-
Transition Fee	-	123	123	298
Tax	-	357	357	481
Other Transition Costs	-	2,863	2,863	6,721
Total Transition costs:	**-**	**3,343**	**3,343**	**7,501**

Analysis of Other Transition Costs:				
Transition Shared Cost Adjustment	-	-	-	56
Opportunity Cost	-	1,874	1,874	6,377
Rebate	-	-	-	-
Other Transition Costs	-	990	990	400
Total Other Transition Costs	**-**	**2,863**	**2,863**	**6,721**

Transition Timetable

Below is the current transition timetable (as at 31st March 2023). This is an indicative timetable. The prioritisation order will be kept under review with Client Group (a group made up of officers from the member funds), and while not driven by market events, notice will be taken of any potentially impactful circumstances.

Portfolio	Asset Transition Date
Tactical Asset Allocation Portfolio	Q4 2023/24

Original Business Case

Before Brunel was created, a complex financial model was developed by the Brunel Pension Partnership (the LGPS funds) in conjunction with PwC. This model analysed the costs and savings for the partnership as a whole and for each of the individual funds. The core model used showed that between the funds, there was a total of £550m forecast cumulative savings over the next 20 years.

Above right are the Original Business Case projections for Cornwall Pension Fund. Whilst the Fund has now transitioned most of its assets across to Brunel, as detailed in the in the Summary of 2022/23 above, timing differences from the planned transition timetable used to create the Original Business Case has led to a delay in terms of incurring the expected transition costs and the Fund benefitting from cost savings.

Asset pooling

Original Business Case projections

Original Business Case Projections - Cornwall	2016 2017 £000	2017 2018 £000	2018 2019 £000	2019 2020 £000	2020 2021 £000	2021 2022 £000	2022 2023 £000	2023 2024 £000	2024 2025 £000	2025 2026 £000	2026 2036 £000	Total £000
Set up costs	117	1,021	-	-	-	-	-	-	-	-	-	1,138
Ongoing Brunel Costs	-	-	383	494	510	526	543	561	579	597	7,142	11,336
Clients Savings	-	-	(79)	(81)	(83)	(86)	(88)	(91)	(94)	(97)	(1,140)	(1,838)
Transition costs	-	-	1,192	2,036	93	-	-	-	-	-	-	3,321
Fee savings	-	-	4	(730)	(958)	(1,108)	(1,274)	(1,451)	(1,551)	(1,657)	(24,613)	(33,338)
Net costs / (realised savings)	**117**	**1,021**	**1,500**	**1,720**	**(439)**	**(668)**	**(819)**	**(981)**	**(1,066)**	**(1,156)**	**(18,611)**	**(19,383)**

Investment Fee Savings from Pooling

Portfolio	Value In Original Business Case (31 March 2016)	Value at 31 March 2023	Price variance	Quantity Variance	Total Variance
	£'000	£'000	£'000	£'000	£'000
Emerging Markets	155,635	170,274	553	(87)	466
Diversifying Returns Fund	-	189,996	765	225	990
Multi Asset Credit	166,928	157,816	(107)	28	(79)
High Alpha Global Equity[1]	-	321,115	913	(1,897)	(984)
Smaller Companies[1]	-	26,724	50	(177)	(127)
Sustainable Equities[1]	-	319,165	908	(1,840)	(932)
Infrastructure Cycle 1	-	50,355	90	(158)	(68)
Infrastructure Cycle 2	-	43,375	144	(419)	(275)
Infrastructure Cycle 3	-	6,926	101	(172)	(71)
Local Impact Portfolio[1]	-	24,707	414	(471)	(57)
Property	106,409	138,165	521	(84)	437
International Property	-	314	7	(7)	-
Private Equities	-	19,807	(66)	42	(24)
Private Debt Cycle 2	-	46,564	403	(482)	(79)
Private Debt Cycle 3	-	3,486	52	(56)	(4)

[1] The Fund did not have an allocation to this portfolio in the original business case, therefore the asset portfolio's standard quoted fee rate has been used as a comparison to the negotiated Brunel fee rate

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016. It therefore ignores fee reductions that were negotiated with incumbent managers between the formulation of the business case and the transition to Brunel.

The price variance measures the extent to which fee rates have generated savings. The quantity variance measures the extent to which fees have changed in line with the value of the assets on which they are based. Please note these values have been calculated on an annualised basis.

Asset pooling

Risk Management Framework Note

For Cornwall's Risk Management Framework, the relationship is managed by Brunel, and they have negotiated competitive fees compared to the standard terms on the strategies which the LGPS funds in the partnership can use; however, each strategy will be bespoke to each fund dependent upon their requirements.

Cornwall's Risk Management Framework is a dynamic protection framework that is made up of a number of different components including equity protection and currency hedging. Due to the aforementioned, and it not being in place when the Original Business Case was being put together, there is nothing appropriate to compare it to, which is why it is not covered in the above analysis.

Private Markets Note

The Private Markets allocations shown are the new allocations made through Brunel and do not include legacy private market assets, which are still managed directly by the Cornwall Pension Fund.

The price variance has been calculated by comparing the assumed cost in the Original Business Case, to the actual cost of the portfolio.

Expected v. Actual Costs and Savings to Date

Below is the outturn over the period this Annual Report covers, against the Original Business Case submission. As previously noted, due to timing differences of assets transitioning to Brunel, compared to the assumptions used in the Original Business Case, there is a timing difference for the savings being realised and transition costs being incurred. These will start to be realised later than was originally anticipated for Cornwall Pension Fund.

	2021/22 Budget		Actual		2022/23 Budget		Actual	
	Budget In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	-	1,138	-	1,072	-	1,138	-	1,072
Ongoing Brunel Costs	526	1,914	1,059	3,614	543	2,457	924	4,538
Clients Savings[1]	(86)	(328)	(30)	(82)	(88)	(417)	120	38
Transition costs	-	3,321	271	4,157	-	3,321	3,343	7,500
Fee savings[2]	(1,108)	(2,792)	(3,520)	(5,225)	(1,274)	(4,067)	(4,749)	(9,974)
Net costs / (realised savings)	**(668)**	**3,252**	**(2,220)**	**3,536**	**(819)**	**2,432**	**(361)**	**3,175**

[1] The "Client Savings" included an assumption that the Fund would make savings from a reduction in the use of investment consultants. Due to the evolution of the regulatory environment and the Fund's investment strategy since the Business Case was put together in 2016, those assumptions have proven incorrect.

[2] The "Fee savings" is on an actual management fee savings incurred basis (the portfolios transitioned part way through the year) whereas the figures used in the Investment Fee Savings from Pooling table above, are calculated on an annualised basis.

Asset pooling

Cost Transparency – Investment Management Costs

The following table summarises investment management costs for 2022/23. It has been compiled from templates completed by each of the Fund's investment managers. The table reconciles to the costs disclosed in note 8 within the Financial Statements. While Indirect Costs are costs that do not meet the criteria for inclusion in the Fund Accounts, they do represent significant underlying costs to the Fund's investments. For that reason, the Fund does include indirect costs in its Financial Statements.

Summary of Total Investment Management Costs

	Brunel Asset Pool				Non-Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	bps	Direct £'000	Indirect £'000	Total £'000	bps	£'000	bps
Management Fees										
Ad Valorem	7,357	-	7,357	39.3	4,112	-	4,112	100.1	11,469	50.3
Performance	126	-	126	0.7	471	-	471	11.5	597	2.6
Research	-	-	-	-		-	-	-	-	-
Other Charges	-	3,358	3,358	18.0	-	564	564	13.7	3,922	17.2
Asset Pool Shared Costs[1]	-	1,042	1,042	5.6	-	-	-	-	1,042	4.6
Transaction Costs										
Transaction taxes	-	-	-	-	-		-	-	-	-
Broker commission	-	-	-	-	-		-	-	-	-
Implicit costs	-	2,761	2,761	14.8	-	86	86	2.1	2,847	12.5
Indirect transaction costs	-	1,528	1,528	8.2	-	1,143	1,143	27.8	2,671	11.7
Other transaction costs	-	-	-	-	-		-	-	-	-
Anti-dilution offset	-	-	-	-	-		-	-	-	-
Custody	-	-	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-		-	
Total	**7,483**	**8,689**	**16,172**	**86.4**	**4,583**	**1,793**	**6,376**	**155.3**	**22,548**	**98.8**

[1] Please note that the basis point rate (bps) of the Asset Pool Shared Costs will come down as more of the Fund's assets transition into Brunel Portfolios.

Asset pooling

The different types of costs itemised in the table (above) are defined below

Ad Valorem Fees are the management fees charged by the external fund managers based on the value of funds under their management. These may be invoiced or encashed from units held in pooled funds. Those shown as indirect relate to underlying funds.

Performance Fees are fees based on the fund manager having achieved a level of performance that warrants additional fees. These will be based on the manager having achieved performance above a hurdle rate, either an absolute return or relative to a benchmark, and then being entitled to a share of the profit from the return achieved above the hurdle rate.

Other Charges – This heading comprises all payments made to parties providing services to the pooled fund other than the manager such as, but not limited to, the depositary, custodian, auditor, property related expenses, to the extent these are not included under transaction costs, and any other fees or levies deducted from the pooled fund.

Asset Pool Shared Costs comprise the charges levied by the Brunel Pension Partnership to meet the costs of running the company. This excludes legacy custodian costs, included under "Custody".

Transaction Taxes include stamp duty and any other financial transaction taxes.

Broker Commission comprises payments for execution of trades. Levies, such as exchange fees, settlement fees and clearing fees are included within broker commissions.

Implicit Costs represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset. The precise methodologies for calculating implicit costs are still being deliberated by regulators. The costs included in the table are based on the recommendation that firms may calculate implicit costs by reference to appropriate measures of market spread and portfolio turnover.

Indirect Transaction Costs are transaction costs incurred within pooled funds when they buy and sell their underlying investments.

Other Transaction Costs are items not included in any other category of transaction cost.

Anti-Dilution Offsets are the amounts collected in the period from dilution levies and dilution adjustments (in the case of swinging prices) or the equivalent amounts in relation to the issue and cancellation prices of dual priced funds. These are collected from investors making withdrawals or new investments in a pooled fund to compensate the existing investors in the fund for any impact of their trading on the fund.

Custody – the costs levied by the Fund's custodian.

Other Costs include other costs incurred directly by the Cornwall Pension Fund for the management of investments, net of income received from stock lending.

Responsible Investment

Responsible Investment Review

The Cornwall Pension Fund's Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. To do this effectively the Committee recognises the importance of managing Environmental, Social and Corporate Governance ("ESG") issues, including climate change, that are financially material to the Fund, both in terms of opportunities and risks. What is more, there is a growing urgency with respect to long-term sustainability issues, particularly climate change. Therefore, it is imperative that ESG considerations and active ownership are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

The Fund has made significant progress in evolving its policies on responsible investment and climate change, since the previous version of this report was published last year. We are continuing to focus on this as a key priority for the Fund, and we continue to aspire to be at the forefront of responsible investment best practice.

As part of building upon our aspirations, the Fund has signed up to a number of commitments and affiliations to support us on our journey, which are detailed in this report. One of the pivotal commitments made was the Fund being in the first wave of signatories to sign up to the ambitious Institutional Investors Group on Climate Change (IIGCC) Net Zero Asset Owner Commitment

As part of this Net Zero Asset Owner Commitment, the Fund has made a number of commitments; including to achieve net-zero portfolio greenhouse gas emissions by 2045, and a number of actions which are necessary to enable this commitment to be achievable. Further information on the Fund's Net Zero commitments and pathway can be found in the Net Zero Commitment section on page 69.

The Committee has also revisited its beliefs and has updated its policies and processes, which have developed significantly since the previous version of the Responsible Investment Policy was published. The Fund has also met its target commitment to sustainable and low carbon assets (and has now ratchetted up its commitment – see page 46), and has kept the carbon intensity of its equity portfolios well below benchmark. Further information can be found on page 65.

The Committee recognises that ESG and stewardship are rapidly developing topics and will continue to develop its understanding, approaches, and ambition in these areas.

Responsible Investment Beliefs

The Cornwall Pension Fund's Pensions Committee holds the following RI beliefs

Responsible investors	We believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society.
Long time horizon	We are investors with a long time horizon. This requires us to consider long-term sustainability issues, both in terms of opportunities and risks, as relevant to the Fund and its investment strategy.
ESG integration	ESG issues can affect the performance of investment portfolios and should therefore be considered throughout the Fund's investment process.
Stewardship[1]	Good stewardship can enhance long-term portfolio performance and is therefore in the best interests of its members. Voting is an integral part of the responsible investment and stewardship process.
Corporate[2] governance	The Fund is a long-term active investor that takes seriously its role in fostering stewardship. We believe that sound corporate governance in the companies in which we invest contributes to long-term value for our members.
Climate change as a systemic risk	Climate change presents a systemic and material risk to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our beneficiaries, employers, and our investment portfolio.
Climate change and the Paris Agreement	Investing to reflect the Paris Agreement goals, and the latest science-based evidence, while maintaining a focus on the Fund's priority of achieving a net zero carbon investment portfolio by 2045. This is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of our beneficiaries, employers, and our portfolio holdings.

[1] "Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole." – The UK Stewardship Guide

[2] Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled.

Responsible Investment

The Committee recognises the importance of working collaboratively with the Brunel Pension Partnership ("Brunel") to make the Fund's ESG approach effective.

The Committee defines Responsible Investment ("RI") as the integration of ESG issues into its investment processes and stewardship (or active ownership) practices in the belief this can positively impact financial performance over the long term.

The following sets out the Fund's approach to Responsible Investment, and the work which has been done over the course of the year.

Responsible Investment Policy

The Cornwall Pension Fund publishes its own dedicated Responsible Investment Policy. The policy can be viewed here: Responsible Investment Policy

The policy sets out the Committee's approach to RI and details the actions the Committee, Brunel Pension Partnership ("Brunel"), and other external providers take on behalf of the Fund's members and other stakeholders, to enhance long-term risk adjusted returns, and to protect the Fund from ESG and reputational risks.

During 2023, the Fund will conduct a full review of its Responsible Investment Policy, to ensure the Fund remains at the forefront of Responsible Investment best practice.

Climate change

The Committee recognises the commitments made by countries, regions, organisations and also local authorities such as Cornwall Council in relation to climate change. Climate change (and other long-term sustainability issues) present opportunities and risks that increasingly require explicit consideration by long- term investors.

Our climate change commitments

We are committed to:

- Investing at least 30% of our portfolio in sustainable/low carbon investments by 2025 (Was 15% by 2022 - which the Fund met).
- Decarbonising our portfolio:
    - Adopting a whole of Fund 2045 net zero target, with a total Fund carbon reduction target of 50% by 2030.
    - Adopting a transition leaders target of a 43% reduction by 2025 and 76% reduction by 2030 (versus 2020 baseline position) for our listed equity allocation, whilst recognising that the Fund has already achieved a 77% reduction in absolute emissions for the equity allocation between 2010 and 2020.
    - We will also track, monitor and report on the fossil fuel exposure within our equity portfolio and are committed to this being materially lower than the benchmark.
    - Developing a more detailed implementation plan for the listed equity portfolio and adopt integration (risk reduction), stewardship (transition capacity) and green targets for the portfolio.
    - Expanding net zero target setting to incorporate other asset classes, targeting a whole of Fund approach.
- Assessing the strategic implications of climate change on an ongoing basis by undertaking climate change scenario analysis. This analysis seeks to understand the climate impact on return at the total Fund and asset class level.
- Adopting and reporting on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").
- Supporting Brunel in pressing the industry to make core benchmarks more compatible with a below 2°C aligned scenario.
- Urging Brunel to strengthen its engagement of the banking sector on their lending policies, to phase out the provision of financial services to energy companies and to utilities that are not aligned with the goals of the Paris Agreement. N.B. The Fund became a signatory itself to the IIGCC Net Zero Investor Expectations of Banks initiative, to further demonstrate its commitment in this area.

ESG Integration

The Fund retains responsibility for setting its investment strategy and its ambitions on ESG and responsible investment. Brunel will be responsible for managing ESG issues on behalf of the Fund for the assets invested in its portfolios, in line with the agreed Brunel policies and consistent with the Fund's RI and ESG goals.

Responsibility for managing specific ESG risks, including climate risk, as they affect Brunel and its Clients, are explicitly incorporated into the role specifications of Brunel's' Board, executives, and other key personnel. Brunel expects appointed managers to weigh up and clearly demonstrate how Environmental, Social and Governance (ESG) risks and opportunities are imbedded into their investment process and how it is as part of their wider evaluation of investment risk and return objectives as opposed to treating them as a stand-alone concern.

Each Brunel portfolio, across all asset classes, explicitly includes responsible investment and an assessment of how ESG considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and

Responsible Investment

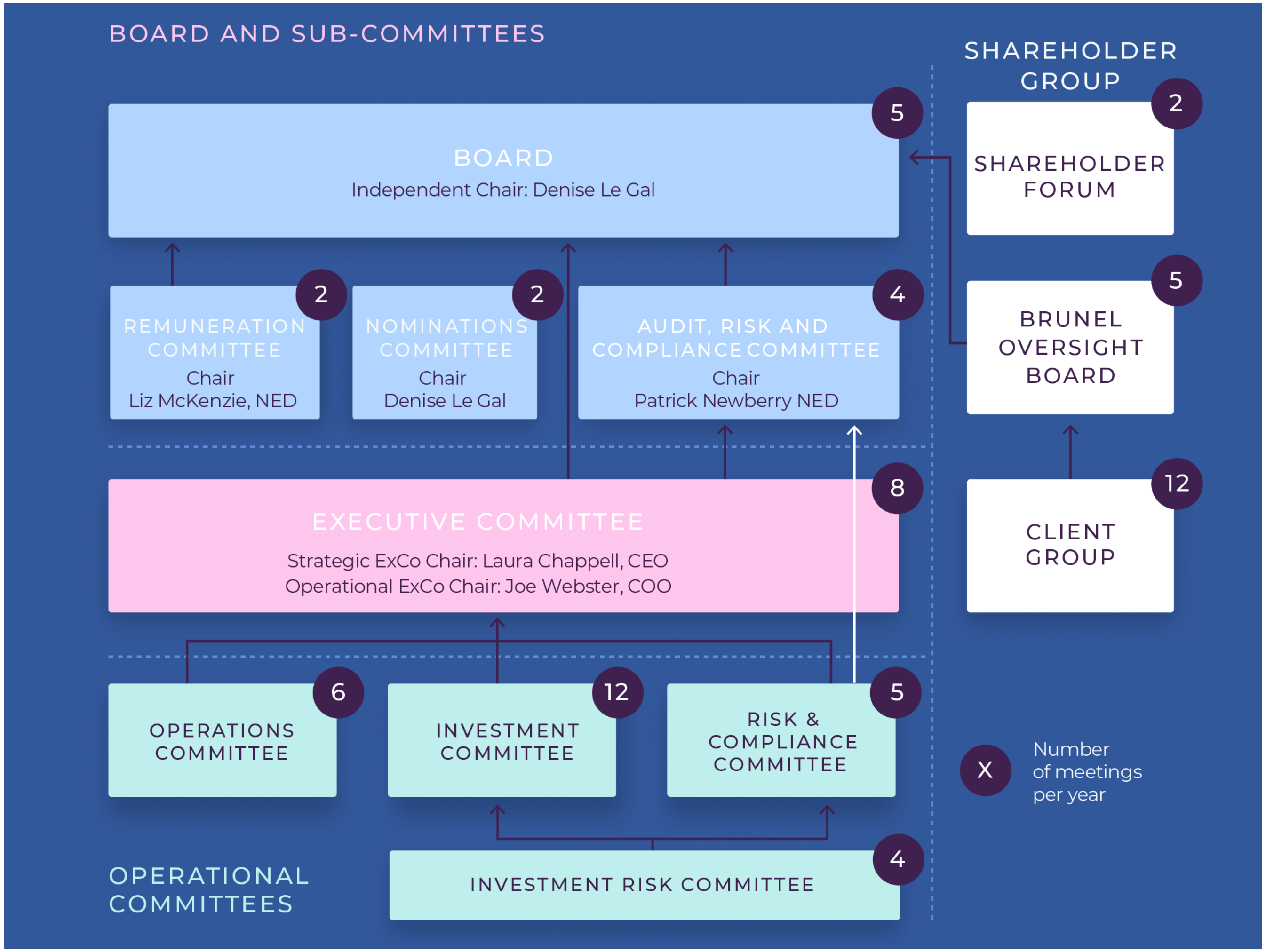
enhancing value in relation to each portfolio and its objectives. These considerations are taken into account when constructing the Brunel portfolios and in the selection, non-selection, retention and realisation of assets.

The Committee fully supports and actively encourages Brunel's commitment to working with managers in asset classes and strategies where ESG integration is less well developed (for example multi-asset credit and private debt) and to improve this over time through better practices and product innovation, using its scale, knowledge, and influence to help drive change.

The Cornwall Pension Fund inputs into the development of Brunel's Responsible Investment Strategy and Policy, Climate Policy, and Stewardship Policy through the Brunel Oversight Board, Brunel Client Group (officers from the local authority pension funds), and the Responsible Investment (RI) Sub-Group (officers of the funds and Brunel officers).

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. The Board regularly scrutinise Brunel's Responsible Investment strategy which is overseen operationally by the Executive Committee. Brunel's Client Group is made up of Client Fund Officers, this group provides oversight through monthly Responsible Investment updates, providing input on their committee and beneficiaries emerging needs and concerns. In addition, the Responsible Investment Sub-Group meets monthly and acts as a forum for further discussions on Responsible Investment topics.

Workshops are conducted where a deeper awareness or education on a particular topic is useful. For example, in 2022, workshop topics included stewardship, diversity and inclusion, climate change,



and ESG integration. Further detail on Brunel's governance structure can be found in their Annual Report & Financial Statements.

The Brunel team also presents frequently at Committee, Client Group meetings, Brunel Investor Days, and dedicated responsible investment training events. These all provide a forum for the Fund to seek assurance or raise any areas of concern.

Brunel's Stewardship Policy has been developed in conjunction with the Cornwall Pension Fund and other key stakeholders through the Brunel Oversight Board, Brunel Client Group, and the Client Responsible Investment (RI) Sub-Group. The RI Sub-Group is made up of members of the Brunel Pension Partnership and meets monthly, it provides an opportunity for the Cornwall Pension Fund to:

Responsible Investment

- Raise stewardship interests
- Share best practice with Brunel and amongst partner funds
- Provide insights on concerns, issues, and member perspectives
- Shape priorities of Brunel and EOS at Federated Hermes
- Review reporting outputs
- Knowledge share and receive a deeper dive into topics of interest
- Access expertise
- Consult on policy design and development

The Fund seeks assurance through formal structures such as our interactions as a Shareholder of Brunel, the Brunel Oversight Board, Client Group, the RI Sub-Group, and ongoing reporting and presentations to the Committee, and other means that Brunel is fulfilling the agreed policy commitments with regards to ESG integration.

Brunel has built its responsible Investment approach on three pillars: to integrate sustainability criteria into its operations and investment activities; to collaborate with others across the industry and support effective policymaking; and to be transparent in its activities.

Responsible Investment Overview of ESG in action at Brunel



	To Integrate	To Collaborate	To be Transparent
Own Operations	• Board commitment • In all we do • Staff objectives	• Contributing to local and global community initiatives • Diversity and inclusion ambassadors	• Best practice own reporting including climate change, diversity and tax
Portfolio implementation	• All asset classes globally • Fully integrate into managers selection • Low carbon and sustainability portfolio options	• Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools	• Impact reporting • Positive case studies • Carbon and sustainability metrics
Responsible Stewardship	• Single voice • Active engagement	• Annual engagement plan • See Partnerships and Affiliations	• Proxy voting Policy and records • Pre-declaration on selective votes

Brunel's manager selection process is central to the effective implementation of the Partnership's Responsible Investment, Stewardship and Climate policies. Managers must be able to clearly demonstrate how ESG is embedded into their investment process. Brunel also examines a manager's organisational culture and approach to teams, challenge, risks, and approach to stewardship. The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment, thus the manager selection criteria are determined for each search.

Brunel's Asset Management Accord was designed to help clarify understanding and shape expectations in the implementation of the investment mandate awarded. The accord captures not only its expectations of managers, but also the spirit of what they can expect from Brunel. It supports long-term sustainable finance and specifically calls on managers to work collaboratively with Brunel across five main areas, being long term, communication, responsible investment and stewardship, collaboration, and thought leadership and innovation. Further details located here: Asset Manager Accord.

The Brunel Partnership expects companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models. We have an expectation that companies should:

- put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 2°C.

- disclose climate related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).
- include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged. As part of its manager selection and ongoing monitoring Brunel use data from the Transition Pathway Initiative (TPI) and carbon foot printing. Both these tools greatly inform portfolio construction and design.

Resources and Incentives

The Pension Fund workforce structure can be seen in the Governance section of this report, on page 10.

The Fund's day-to-day duties are undertaken by a team of Officers led by the Head of Pensions, Treasury and Technical. The team is made up of individuals with a range of specialisms and expertise. Qualifications held across the Investments Team include the Certificate in ESG Investing (x1), Chartered Global Management Accountant (x1), and Chartered Certified Accountant (x2). In addition, the team has 2 part-qualified Chartered Certified Accountants, and 2 members of the team currently studying towards the Investment Management Certificate (IMC). The Pension Benefits Team has 11 officers who have the MCIPPdip accreditation, having passed the Foundation Degree in Pension Administration and Management. Team members are encouraged to pursue professional qualifications to strengthen their knowledge base and build relationships with industry peers.

Within the Investments Team, there are three Investment Analysts. Recognising the need for a dedicated resource to manage ESG and stewardship matters, one of the Investment Analysts is dedicated to the Fund's Responsible Investment, ESG and stewardship work, and whose key performance objectives are set partially in reference to the delivery of the Fund's wider RI policy. The work done by this Analyst is peer reviewed by the second Analyst, and this work is subsequently reviewed and challenged, where necessary, by the Pensions Investment Manager and the Head of Pensions, Treasury and Technical.

In addition, Officers, the Pensions Committee and the Local Pension Board are also supported by a range of specialist consultants, suppliers and fund managers. The Fund's retained investment consultant is Mercer, Independent Advisor is John Finch, actuary is Hymans Robertson, and custodian is State Street.

Staff at the Cornwall Pension Fund do not receive bonus pay. Responsible investment is a component of staff's annual objectives which informs annual appraisals.

In terms of diversity and inclusion - Officers of the Fund are employed by the administering authority of the Fund, Cornwall Council. Cornwall Council publish an annual Gender Pay Reporting Statement, which provides data on the gender pay gap. The report contains the following information:

Gender Pay Gap – The difference between the mean, and median, hourly rate of pay for men and women, based on a 31 March 2022 snapshot.

Quartile Pay Bands – Putting the combined workforce in order of hourly rate of pay and then splitting them into four groups of equal size, or quartiles (lower, lower middle, upper middle, and upper), enables calculation of the proportions of men and women in each of the four bands.

Gender Bonus Gap – The difference between the mean, and median, value of bonus pay received by men and women over the 12-month period to 31 March 2022.

Bonus Payments – The proportion of men and women receiving bonus pay during the 12 months to 31 March 2022. For ACAS, bonus payments include 'profit sharing, productivity, performance, incentive and commission'. This definition has guided our data for this requirement.

The full Statement can be viewed here: Gender Pay Reporting Statement

Brunel has a dedicated Responsible Investment team, including a dedicated Stewardship Manager who oversees voting and engagement. Stewardship at Brunel is applied across three avenues. Firstly, by appointed asset managers, secondly, through a specialist provider EOS at Federated Hermes (EOS), and lastly via collaborative forums. The appointment of a dedicated engagement and voting provider enables a wider coverage of assets and access to further expertise across different engagement themes. The EOS team is diverse, made up of many nationalities and language capabilities, which facilitates engagement in local language and an understanding of cultural customs. Brunel will seek to undertake direct engagement where they feel that this will add value. Brunel publishes its gender pay gap in its annual report and accounts and staff profiles are located on their website: People.

Responsibility for managing specific ESG risks, including climate risk are explicitly incorporated into Brunel's investment principles and the role specifications of its Board, executives, and other key personnel. Responsible investment is a component of staff's annual objectives which informs annual appraisals; no staff receive bonus pay.

Responsible Investment

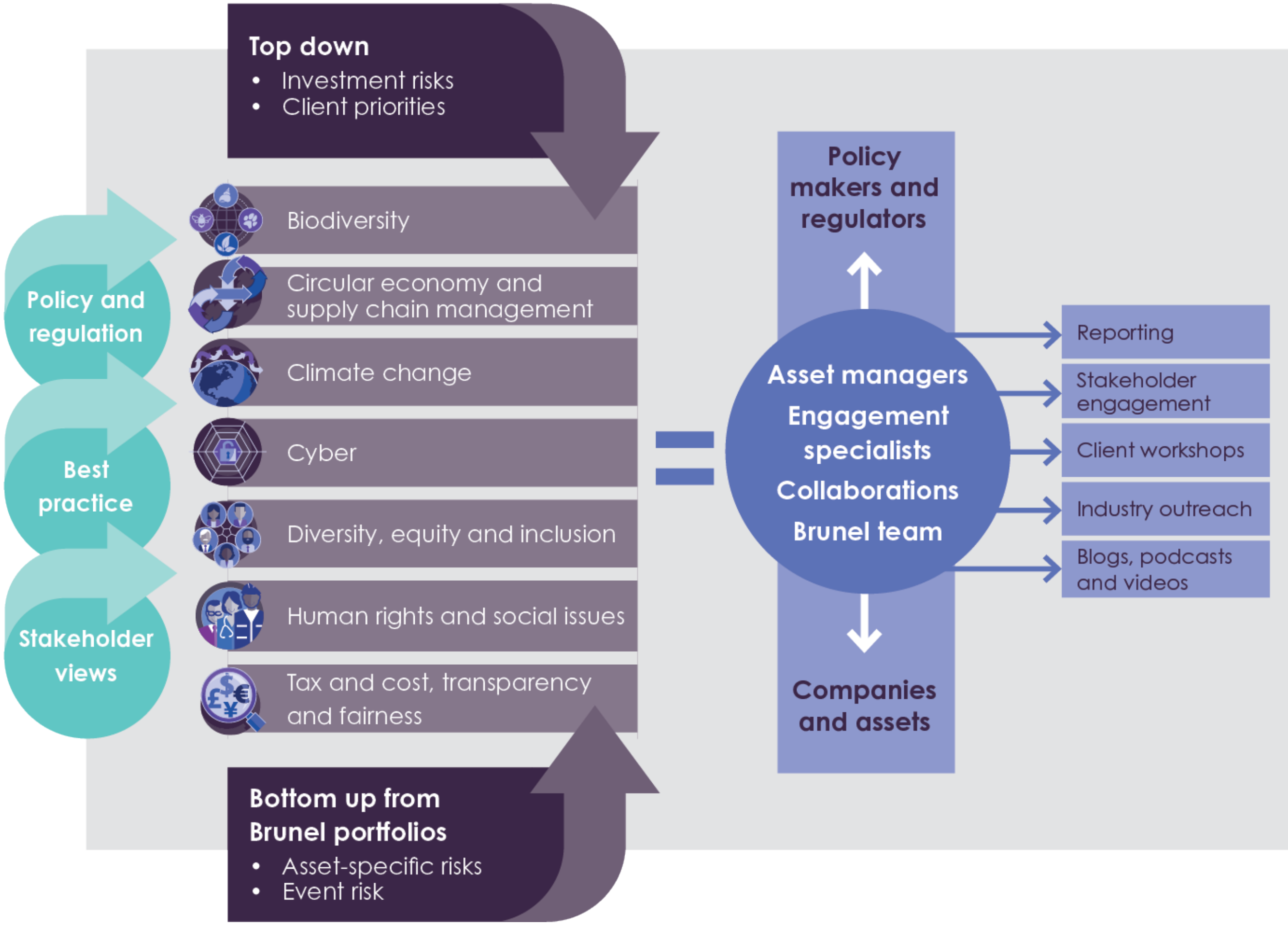
Review and Assurance

The Cornwall Pension Fund has a Local Pension Board whose role is to provide an oversight function to the Pensions Committee and in assisting the Administering Authority with ensuring its compliance with regulations and best practice. The Local Pension Board Work Plan includes reviewing Fund policies to ensure they remain relevant and effective. More information on the Local Pension Board can be found in the Local Pension Board Annual Report, which starts on Page 24.

The Fund produces a Responsible Investment Work Plan which identifies any areas for review. This is part of the Fund's Business Plan.

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement.

Brunel RI and Stewardship Priorities



Brunel's responsible investment strategy and policy, Stewardship Policy and Climate Change Policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client RI Subgroup. Whilst the strategy and policies are designed for the long term (5+ years), they are reviewed annually. The Brunel Board approves and is collectively accountable for the broader suite of Brunel's Policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer, who is supported by a dedicated Head of Stewardship to ensure high levels of coordination and implementation.

The Cornwall Pension Fund communicated its priorities and policies when Brunel's seven responsible investment priority themes were developed. The seven priority themes, as part of an integrated Responsible Investment process, are illustrated in the graphic opposite. Brief information on the seven priority themes is covered in Brunel's Responsible Investment Policy. Further detailed information is included in Brunel's Responsible Investment and Stewardship Outcomes Report.

We review reporting outputs provided by Brunel via the RI Sub-group to ensure that stewardship reporting is understandable, fair and balanced, and to ensure that outputs meet reporting requirements.

The Fund contracts with Brunel to undertake its annual carbon metrics analysis, which is used as part of its TCFD disclosures. Climate metrics are evolving rapidly and there is significant variation in how certain metrics are calculated. As such, the Fund is required to work closely with Brunel to ensure that the metrics delivered are consistent across all partner funds and comply with the latest industry and government guidance.

Responsible Investment

Brunel has integrated stewardship requirements and the integration of Environmental, Social and Governance (ESG) risks into its legal, investment and operational frameworks. These frameworks are set out in a range of internal policies that are subject to regular internal audit, as well external scrutiny as part of Brunel's regulatory framework required as required by the UK Financial Conduct Authority.

For example, asset manager's approach and effectiveness at stewardship is assessed not only during regular manager monitoring meetings, but on a quarterly basis is given a formal rating, alongside measures relating to climate risk and ESG. This is reviewed by the Brunel Investment Risk Committee. Stewardship also forms part of Client quarterly reporting. Examples of stewardship undertaken by managers are also included in Brunel's annual Responsible Investment and Stewardship Outcomes Report

Stewardship components such as ESG data providers, engagement, and voting are all monitored as part of Brunel's Risk and Compliance Self-Assessment (RCSA) framework.

In line with any procurement of third-party services, there is a monitoring process in place to ensure EOS at Federated Hermes delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices. For example, Brunel monitors voting implementation on a quarterly basis to ensure it does not drop below 95%. A review of voting implementation is included in Brunel's Responsible Investment and Stewardship Outcomes Report, and voting statistics are provided quarterly to clients.

FRC UK Stewardship Code

The Fund is proud to announce that it has been successful in its bid to become a signatory of the UK Stewardship Code 2020.

The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code comprises a set of 12 'apply and explain' Principles for asset managers and asset owners. Organisations may apply to become a signatory by submitting a report detailing how they have applied the Code during the reporting period. Organisations whose reporting has met expectations will be listed as a signatory to the Code.

During the year, the Fund engaged the services of a third-party Stewardship provider to undertake gap analysis on our stewardship process and policies. The analysis mapped the Fund's stewardship activities reporting to the 12 principles of the 2020 UK Stewardship Code. The gap analysis provided an indication of areas where the Fund is likely to meet the standard expected of the Code as well as identifying areas where more could be done to develop or enhance compliance. The Fund will be utilising this feedback to continue to develop practices to meet the enhanced standards set by the new Code, and to retain our status as a signatory to the Code.

Identifying Risks

The Fund has set out its approach to risk and different types of market-wide and systemic risks, in its Investment Strategy Statement, which starts on page 131. Risks considered in the strategy are:

- Solvency Risk and Mismatching Risk
- Manager Risk
- Liquidity Risk
- Political Risk
- Corporate Governance Risk
- Legislative Risk
- Market Risk
- Currency Risk
- Interest Rate Risk
- Inflation Risk
- Climate Risk
- Pandemic Risk

The primary risk the Fund is exposed to is the risk that its assets are insufficient to meet its liabilities, which is addressed by holding a diverse range of assets that are not overly concentrated in any one area and designed to achieve returns in a variety of market conditions.

The Fund's Investment Consultant, Mercer, monitor these risks on behalf of the Fund, and report on these risk at regular meetings with Fund officers and the Pensions Committee. Should markets experience a significant event, such as the COVID-19 pandemic, emergency meetings are held with Mercer to discuss any actions that need to be taken by the Fund.

The Fund regularly reviews its Investment Strategy with an exercise completed annually as part of the business planning processes (comprehensively at least every three years as part of the triennial valuation process) and in doing so considers the risk/return characteristics of each asset class and sub-asset class in this assessment. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each asset class.

Responsible Investment

Case Study: Invasion of Ukraine
Russia's invasion of Ukraine in late February 2022 caused a global shock. The grave human implications fed through into markets, with equities declining and bond yields rising (meaning prices fell). Commodity prices soared given Russia is a key producer of several important commodities including oil, gas, and wheat. This accentuated the pre-existing condition of rising commodity prices contributing to inflation, as well as supply chain disruption.

During the year, inflation hit its highest rate since the 1980s. Initial belief that this would be transitory broadly gave way to the belief that it had become more persistent. As a result, central banks took action to curb inflation, by raising interest rates. This action may become more aggressive should evidence that the high current level of inflation is becoming embedded in pricing behaviour by firms, and in wage-setting behaviour by firms and workers. This action will need to be carefully balanced against the risk of recession.

Following the invasion, the Partnership swiftly took the following action:

- With immediate effect, new investments in Russian assets were prohibited;
- In an orderly manner and, where practical, we disinvested from all Russian-controlled and Russian-owned assets, bonds and equities, wherever they be listed. This ensured that we captured all Russian assets. Due to the nature of the Russian regime, we do not make the distinction between state owned assets and non-state-owned companies;
- Where our non-Russian assets had material revenues/profits derived from Russia, we first sought to influence through engagement to the same end; and
- Where we did not own companies with exposure to Russia, we continued to engage on this issue, in line with our approach.

Geopolitical and macroeconomic events and the knock-on effect to the performance of the Fund's investments are continually monitored by Fund officers and advisers. The Fund has a well-diversified investment strategy in place to try and mitigate any downside impacts to the Fund. The Fund also has a tactical asset allocation portfolio, which is able to be more dynamic and takes a 12-month view, to try to take advantage of shorter-term market trends. In addition, the Fund has a risk management framework, which seeks to mitigate risk in a number of areas and includes an equity protection strategy, which to an extent, protects the Fund from large falls in the values of its equities.

The Brunel Pension Partnership was awarded Environment Finance's Pension Fund of the year award, in recognition of the Cornwall Pension Fund and the Partnerships strong and effective leadership on responsible investment. To address climate risk, the partnership published its updated Climate Change Policy in early 2023. This policy is already delivering real-world impacts, using its influence to challenge the asset management industry with a five-point plan "to build a financial system which is fit for a carbon-zero future".

To best identify and respond to market-wide and systemic risks, Brunel is involved in a number of industry initiatives, Institutional Group on Climate Change (IIGCC), Principles for Responsible Investment (PRI), CA100+, Transition Pathway Initiative (TPI), International Corporate Governance Network (ICGN), the UK Sustainable Investment and Finance Association (UKSIF) and engages with a wide range of stakeholders, including government authorities, trade bodies, unions, investors and NGOs, to best identify and respond to market-wide and systemic risks. Consultation responses are published on the Brunel website: Policy advocacy

Brunel's approach to managing systemic risk is to leverage its role in the finance system. Brunel, in partnership with its clients, sits at the top of the investment chain. Brunel outsources the management of 100% of its AUM and specialises in portfolio construction and risk management through the selection, appointment, and monitoring asset managers. Brunel work collaboratively with other investors, policy makers and regulators to build capacity to manage these risks and opportunities. In summary, we use our position and processes to amplify our impact in managing risks and delivering of sustainable outcomes.

Central to Brunel's approach to responsible investment is to assess and address the systemic barriers to the outcomes that Brunel believes support a thriving society and economy. Policy and regulation are pivotal components of corporate and financial systems, they provide a framework of rules, limitations and guidelines that participants need to operate within. Therefore, supporting policy makers and regulators through responding to consultations, providing advice, and participating on working groups are all ways which Brunel seeks to bring out systemic change.

Voting and Engagement

The Fund believes that voting is an integral part of the RI and stewardship process and serves to enhance long-term value creation for our members. Voting is delegated to Brunel and its underlying managers for the shares we hold in publicly listed companies, and we expect all underlying managers to exercise our right to vote at company meetings.

As part of every quarterly Pensions Committee meeting, members receive summary voting data, which details the number of votes cast across the Fund's active listed equity portfolios and the percentage of those votes cast that were in support of, or directed against, company management. Before publication of the data, Officers review the data to check that it meets the expectations of the Fund.

Hermes Equity Ownership Services (EOS) are the Partnership's engagement and voting services provider. This enables a wider coverage of assets and access to further expertise across different engagement themes. The voting and engagement done on behalf of the Fund is published quarterly on the Fund's website: Voting and Engagement

Brunel selected EOS as its appointed engagement and voting services provider following competitive tender and a comprehensive due diligence process.

Coverage includes segregated active equity portfolios and corporate fixed income. In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices. Brunel is in regular contact with Hermes throughout the year. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

The Cornwall Pension Fund inputs into the developments of Brunel's engagement priorities which are communicated to EOS. There are multiple and distinct touchpoints throughout the year that Brunel and The Cornwall Pension Fund utilise to provide feedback on the engagement plan. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

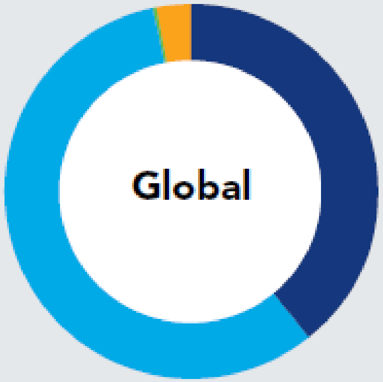
EOS' primary approach is to engage privately with companies, behind closed doors. Where engagement is not succeeding at the pace that EOS believe is required, they will also consider using escalated engagement techniques that may be more public, such as:

- Collaborative engagement with like-minded institutional investors
- Speaking at the company's AGM
- Filing or co-filing a shareholder resolution, and
- Raising concerns in the public domain

The Cornwall Pension Fund provides input into the development of Brunel's voting guidelines (see link below), implementation is supported by EOS at Federated Hermes. The voting principles guide Hermes voting recommendation alongside country and region-specific guidelines. Voting decisions are also informed by investment considerations, consultation with portfolio managers, clients, other institutional investors, and engagement with companies. The voting process, including approach across asset classes, is explained in further detail in Brunel's Stewardship Policy.

In 2022, EOS made voting recommendations to Brunel on 5,448 resolutions at 559 meetings on our behalf. The regional split of the voting recommendations are included below. At 332 of those meetings, EOS recommended opposing one or more resolutions, while at 2 meetings, EOS recommended abstaining. They supported management on all resolutions at 220 meetings and recommended voting with management by exception at 16 meetings. A vote "for" by exception is applied where there is a reasonable prospect of ongoing positive engagement.

Responsible Investment

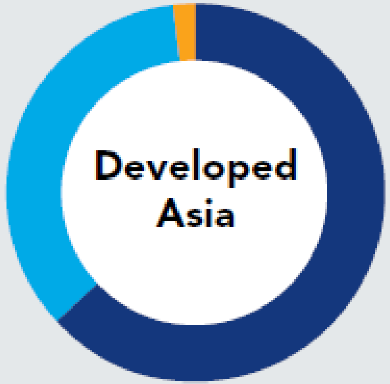


We made voting recommendations at **559** meetings (**5,448** resolutions) over the last year.

- Total meetings in favour **39.4%**
- Meetings against (or against AND abstain) **57.4%**
- Meetings abstained **0.4%**
- Meetings with management by exception **2.9%**

We made voting recommendations at **9** meetings (**173** resolutions) over the last year.

- Total meetings in favour **55.6%**
- Meetings against (or against AND abstain) **33.3%**
- Meetings with management by exception **11.1%**

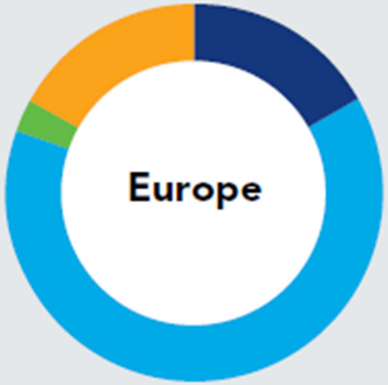


We made voting recommendations at **60** meetings (**468** resolutions) over the last year.

- Total meetings in favour **63.3%**
- Meetings against (or against AND abstain) **35.0%**
- Meetings with management by exception **1.7%**

We made voting recommendations at **2** meetings (**11** resolutions) over the last year.

- Meetings against (or against AND abstain) **100%**

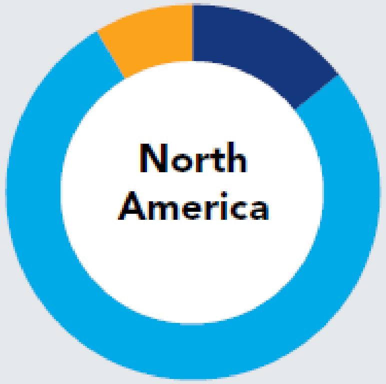


We made voting recommendations at **36** meetings (**655** resolutions) over the last year.

- Total meetings in favour **16.7%**
- Meetings against (or against AND abstain) **63.9%**
- Meetings abstained **2.8%**
- Meetings with management by exception **16.7%**

We made voting recommendations at **417** meetings (**3,708** resolutions) over the last year.

- Total meetings in favour **39.8%**
- Meetings against (or against AND abstain) **58.8%**
- Meetings abstained **0.2%**
- Meetings with management by exception **1.2%**

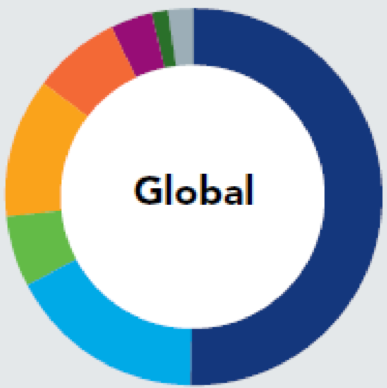


We made voting recommendations at **35** meetings (**433** resolutions) over the last year.

- Total meetings in favour **14.3%**
- Meetings against (or against AND abstain) **77.1%**
- Meetings with management by exception **8.6%**

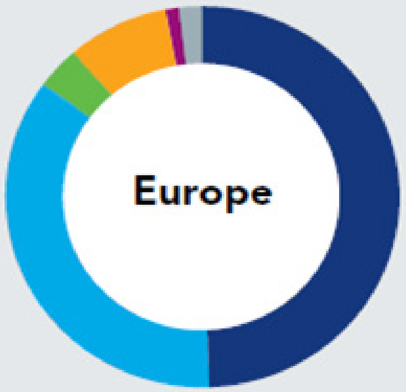
Responsible Investment

The issues on which EOS recommended to Brunel voting against management or abstaining on resolutions are shown below:



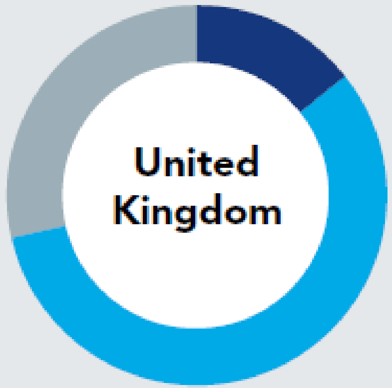
We recommended voting against or abstaining on **1,092** resolutions over the last year.

- Board structure **50.5%**
- Remuneration **16.8%**
- Shareholder resolution **6.0%**
- Capital structure and dividends **12.1%**
- Amend articles **7.3%**
- Audit and accounts **3.8%**
- Investment/M&A **1.2%**
- Other **2.2%**



We recommended voting against or abstaining on **107** resolutions over the last year.

- Board structure **49.5%**
- Remuneration **35.5%**
- Shareholder resolution **3.7%**
- Capital structure and dividends **8.4%**
- Audit and accounts **0.9%**
- Other **1.9%**



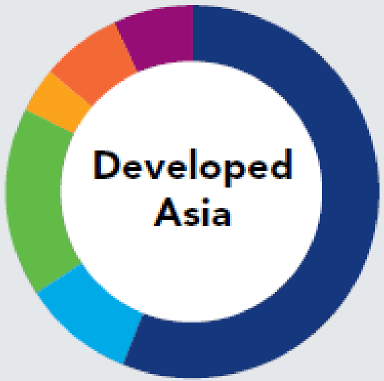
We recommended voting against or abstaining on **7** resolutions over the last year.

- Board structure **14.3%**
- Remuneration **57.1%**
- Other **28.6%**

We recommended voting against or abstaining on **822** resolutions over the last year.

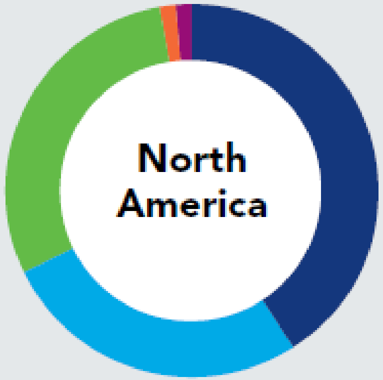
- Board structure **51.6%**
- Remuneration **13.4%**
- Shareholder resolution **3.3%**
- Capital structure and dividends **14.6%**
- Amend articles **9.0%**
- Audit and accounts **4.1%**
- Investment/M&A **1.6%**
- Other **2.4%**

Responsible Investment



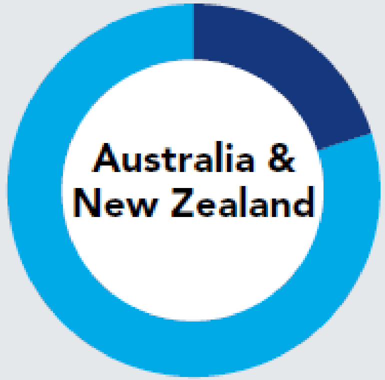
We recommended voting against or abstaining on **73** resolutions over the last year.

- Board structure **56.2%**
- Remuneration **9.6%**
- Shareholder resolution **16.4%**
- Capital structure and dividends **4.1%**
- Amend articles **6.8%**
- Audit and accounts **6.8%**



We recommended voting against or abstaining on **78** resolutions over the last year.

- Board structure **41.0%**
- Remuneration **26.9%**
- Shareholder resolution **29.5%**
- Amend articles **1.3%**
- Audit and accounts **1.3%**



We recommended voting against or abstaining on **5** resolutions over the last year.

- Board structure **20.0%**
- Remuneration **80.0%**

Case Study: Antimicrobial Resistance - Voting

We used all of our listed equities to support a shareholder resolution asking for a report on the public health costs of antimicrobial resistance at Abbott Laboratories. The proposed study will contribute to inform shareholders and other stakeholders on how the actions that Abbott Laboratories take, or do not take, may contribute to slowing the growth of anti-microbial resistance (AMR).

Whilst the company has made efforts, implementing AMR training for healthcare professionals and appropriate packaging, AMR is a serious financially material issue for which the board need to understand the importance of. Other investors shared the same sentiment and the proposal received 89% shareholder support. We will be looking to see how the company responded to this proposal, voting in the run up to the next AGM.

Case Study: LAPFF – Responsible Mineral Sourcing - Engagement

LAPFF has continued its engagement with electric vehicle manufacturers to gain a better understanding of how they are addressing the risks associated with sourcing the minerals they need to produce the batteries for their vehicles. LAPFF met with Renault and General Motors on this issue for the first time this quarter and with Mercedes for the second time.

An overview of Renault's work on risk assessments for the minerals it sources and contingent reporting was discussed. LAPFF also raised the potential benefits of membership of the Initiative for Responsible Mining Assurance (IRMA). The discussion with Mercedes provided an in-depth view of the work the company was doing with regards to risk assessment of minerals and some of the work the company was doing in the Democratic Republic of the Congo. General Motors laid out new additions to its board and the skills they would bring in the transition to electric vehicles. The company also spoke about the aspirations it had with its risk assessment process, audit programme and its dialogue with suppliers on the IRMA.

LAPFF is continuing to seek engagements with electric vehicle manufacturers, impressing upon them the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand what work companies are doing and how they are managing a just transition.

Brunel Pension Partnership – Updated Stewardship Policy and Voting Guidelines

Brunel have recently updated the Stewardship Policy in consultation with the Partnership. The Policy sets out Brunel's overall approach to stewardship. In addition, Brunel have published a separate Voting Guidelines document. This sets out Brunel's voting principles across a range of themes, and what Brunel expect of companies, their boards, and their management. It provides detail on Brunel's approach to using voting as part of shareholder engagement. Both documents can be accessed at: Stewardship Policy and Voting Guidelines - Brunel Pension Partnership

Our engagement, emerging themes, and a reflection of the previous proxy season feed into the review of our Voting Guidelines. Our updated guidelines, published in March 2023, incorporate the following main changes:

- We expect companies to adopt the framework set out by the Task Force on Climate-related Financial Disclosures (TCFD) for the management and reporting of climate-related risks and opportunities. The audit committee should be responsible for ensuring these material risks are explicitly accounted for in the financial statements and the external auditor should be engaged to provide an opinion on this matter
- Climate Change: Enhanced TPI voting principle
- Reflecting the rising cost-of-living this year Executive salary increases should be ideally lower proportionally than for the workforce and we will consider voting against the remuneration policy where excessive salary increases larger than the wider workforce have been implemented, as well as assessing the ways that companies are supporting their workforce, customers and suppliers with the rising cost of living
- Diversity: Enhanced voting thresholds and updated our company expectations - we expect companies to clearly disclose board diversity and encourage directors to self-identify. Companies should create a culture where self-identification is possible. For companies of all sizes across Europe, we support a medium-term goal of 50% overall board diversity, including gender (with at least 40% representation of the minority gender, including those who identify as nonbinary), race and ethnicity and other diversity traits such as LGBTQ+ and disability

Brunel Voting Records

Details of Brunel's Voting activities are uploaded to their website on a quarterly, and annual basis and can be accessed at: Voting and Engagement Records - Brunel Pension Partnership

Hermes Public Engagement Plan 2023-25

Hermes Equity Ownership Services (EOS) have also published their Engagement Plan for 2023-25. The Engagement Plan is client-led – with Hermes EOS undertaking a formal consultation process with multiple client touchpoints each year to ensure it is based on their clients' long-term objectives, covering the highest priorities. Officers from the Cornwall Pension Fund were involved in this process. The Plan details Hermes EOS's approach to engagement and their key priorities for the next three years. The report can be accessed at:

EOS Engagement Plan 2023-2025 | Federated Hermes Limited (hermes-investment.com)

Stewardship Implementation Across Asset Classes

The Fund seeks to integrate RI across its investment decision-making process for the entire portfolio, while ESG concerns and climate change specifically are listed in the Fund's ISS, alongside other investment beliefs, as key factors crucial to developing strategy and decision-making.

Stewardship responsibilities extend to all asset classes held by Brunel. Brunel's approach has to be appropriate for each asset class and style of investment they choose. Full details on Brunel's approach for each of the asset classes they hold is detailed in their Stewardship Policy. These areas include:

- Listed equities (passive and active)
- Fixed Income
- Liquid Alternatives
- Private Markets (property, infrastructure, secured income, private debt, and private equity)

Publicly listed equities account for nearly half of the assets that Brunel manages and is the most developed area of active ownership in the investment industry. Brunel recognise the approach needs to be tailored to each type of investment (asset class), take account of the level and legal structure of ownership, regulatory expectations, and limitations, and be mindful of differences across geographies.

Example: Private Markets

Private Markets are those that are not available through public markets, such as an exchange, and include asset classes such as infrastructure, real estate, private equity, and private debt. Private markets are an attractive means to diversify portfolios and enhance long-term returns.

Responsible Investment

Stewardship is an intrinsic part of private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long-term nature of the investments that are made. There are however some natural barriers to stewardship due to the lack of disclosure and often opaque nature of the asset classes and arm's length relationships between general partners (GPs) and limited partners (LPs). As a result, in-depth due diligence is critical, alongside building close relationships and exerting influence where possible.

When assessing potential private market investments, we pay particular attention to ESG and sustainability throughout the selection process. We believe that well-governed investments and those with strong ESG and sustainability characteristics will offer better long-term risk-adjusted returns. Prior to launching a new Brunel Portfolio, the Brunel team produce a scoping document that states key requirements and portfolio specifications, with a significant focus on ESG risk and sustainability.

We expect managers to have firm ESG and climate change policies in place, and for these to be considered across the value chain, from investment due diligence to ongoing managing, monitoring, and ultimately disposal of the assets. As part of this due diligence, we examine case studies to evidence these policies are in place and, crucially, are being actioned. Proof of implementation is critical and supersedes all else. We will support managers on their journey and encourage best practice, forgiving policies and processes not being formalised so long as the manager commits to action in a reasonable timeframe.

Application of robust stewardship in private markets is very dynamic. Brunel seeks to use the appropriate mechanisms relative to the asset class, size and complexity of our investment, our position in the capital structure and the influence that does or does not permit.

Case Study: Engaging in emerging markets

Emerging markets present specific challenges to engagement, such as powerful controlling shareholders and less familiarity with global best practice, notwithstanding some pockets of progress. The following case study details engagement conducted on behalf of the Fund by Hermes EOS, with South Korea's Posco International.

EOS began engaging with South Korea's Posco International on sustainable palm oil in 2016. This followed a divestment by a major pension fund in 2015 and severe criticism of the company by NGOs over deforestation related to palm oil development in Indonesia. Following our suggestion, Posco International began a discussion with the Roundtable on Sustainable Palm Oil (RSPO) to develop its sustainable palm oil strategy. In 2017 our engagement intensified, including a joint meeting with the company and NGOs that resulted in a robust discussion about the company's potential commitment to a no deforestation, no peat, no exploitation (NDPE) policy and contribution to reforestation.

In July 2018 the company became a member of the RSPO and committed to a plan to obtain Indonesia Sustainable Palm Oil (ISPO) certification by 2020. In August 2019 this goal was met. We continued to engage, and in March 2020 the company committed to an NDPE policy, promising to preserve areas of high conservation value and high carbon stock. It also said it would implement a programme outside its concessions on a scale that corresponds to the size of the developed plantation. In September 2021 the company achieved RSPO certification for all its plantations and mills, including smallholders.

In an August 2022 virtual meeting with parent Posco, it confirmed that its palm oil subsidiary's NDPE policy was being implemented in close co-operation with the RSPO. According to the company, a large-scale environmental conservation and community development programme has been developed in accordance with RSPO guidelines. This is being carried out by transparently communicating with relevant stakeholders, including indigenous peoples. We verified that the company's human rights grievance mechanisms were available to domestic and overseas workers, as well as people in impacted communities.

Escalation

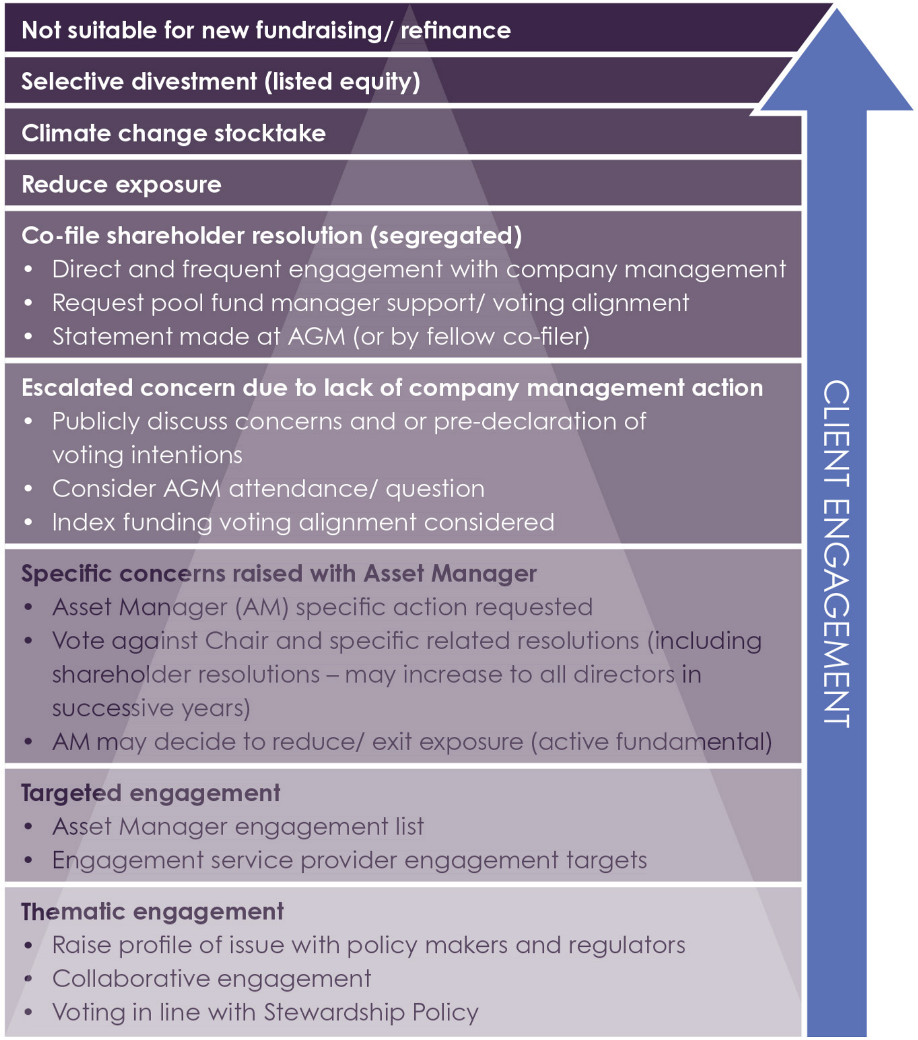
As detailed above, each Brunel portfolio, across all asset classes, explicitly includes responsible investment and an assessment of how ESG considerations may present financial risks to the delivery of the portfolio objectives. In the period before all of the Fund's investment mandates transition to Brunel, the extent to which managers evaluate and manage ESG issues in their investment process is assessed in the selection, retention, and realisation of investment managers by officers and the Fund's advisors.

Escalation is a key component of stewardship and whilst it rarely follows a given pathway the infographic on the next page provides some insights to Brunel's approach. Some steps might be skipped or happen simultaneously and there may be operational and legal constraints that prevent some actions being undertaken, however regular Client engagement helps guide Brunel's approach and communication throughout. The Responsible Investment Sub-

Responsible Investment

Group provides an opportunity for clients to raise stewardship interests and provide insights on concerns, issues, and member perspectives.

The Cornwall Pension Fund can escalate stewardship concerns to Brunel and vice versa via the RI Sub-Group and client team. Detailed Responsible Investment reporting is presented to the Cornwall Pension Fund's Pensions Committee every quarter, and where the Committee feel an issue requires escalation, the Fund will escalate the issue via the RI Sub-Group. Brunel's investments cover thousands of companies; a pragmatic approach to escalation needs to be taken. Brunel operates a clear process of engagement escalation. Through the Brunel Investment Risk Committee (BIRC) and the Brunel Investment Committee, Brunel may identify escalation to its investment managers. Brunel seeks updates on the company's managers are engaging with, what they are engaging on, how they assess the risk, and what level of escalation they are undertaking. In parallel Brunel may look at the engagement EOS are undertaking, their engagement targets and escalation. Brunel may use collaborative engagement and reach out to other investors to elevate areas of concern to companies. Voting is an intrinsic part of the escalation process. Further details can be found on Page 18 of Brunel's Stewardship Policy.



Case Study: Significant Vote Real Living Wage

An example escalation in practice can be seen when Brunel co-filed a resolution seeking for Sainsbury's to accredit as a living wage employer by July 2023.

Brunel is a member of The Good Work Coalition, a collaborative engagement initiative led by ShareAction, engaging collectively to drive up UK standards in the workplace. Since 2020 the coalition has been sending letters and meeting with companies to discuss the real living wage, the main focus has been supermarkets but has also included other sectors.

Nearly 10,000 employers are accredited with the living wage foundation, nearly half of whom have signed up since March 2020. Over half of the FTSE 100 are accredited. Despite improvements in other sectors, no companies within the supermarket sector are accredited, and ongoing engagement was not resulting in progress. The coalition discussed escalation options and decided to proceed with filing a shareholder resolution seeking for Sainsbury's to accredit as a living wage employer by July 2023.

This resolution was groundbreaking, the first of its kind in the UK. We brought the resolution to the client responsible investment subgroup for discussion, providing a background on engagement to date and escalation options explored. One question raised was why we were only filing at one supermarket, this was something the coalition had discussed: the shareholder resolution was going to be filed by meeting the 100+ shareholders requirement, as such it takes a lot of time and resource to file, it would not have been possible to cover multiple supermarkets at the same time. Sainsbury's is the second largest U.K. grocery chain with 16.5 per cent of the market share. It operates over 600 supermarkets; 800 convenience stores and at the time directly employed 189,000 workers. Across the coalition the highest holdings were in Sainsburys, and it was felt that given Sainsbury's policies and approach there was a higher chance of success. The resolution was also discussed

Responsible Investment

with the Chief Investment Officer, ultimately clients were supportive, and Brunel proceeded with co-filing the resolution.

Following the filing of the living wage shareholder resolution at Sainsburys, Brunel has been involved in ongoing engagement meetings with the supermarket. This led to Sainsbury's announcing an additional pay rise for their London staff in April, resulting in all directly employed staff earning the real living wage, an estimated 19,000 workers benefited as a result. Engagement continued to seek accreditation and coverage of third-party contractors, however Sainsburys were not supportive and so the resolution went to the AGM. The resolution did not receive enough support to pass or require a public response from the company and Sainsbury's did not decide to accredit to the real living wage foundation. Whilst this is disappointing, ground-breaking resolutions of this kind rarely pass first time, we did secure pay rises for thousands of workers and it did bring the issue to the forefront and drove discussion in the industry.

Monitoring Managers and Service Providers

Brunel has a comprehensive Manager Selection Policy together with Manager Monitoring and Portfolio Management policy to guide the appointment and monitoring of asset managers across all asset classes. However, the key components from stewardship perspective can be summarised as the '6 P's' (see infographic on the next page). These are philosophy, policies, people, processes, participation, and partnership. These key issues form part of ongoing manager monitoring where a risk assessment is carried out on a quarterly basis and a rating given. This includes an assessment of the managers stewardship. This is reviewed by the Brunel Investment Risk Committee. Further detail is included in Brunel's Responsible Investment policy.

All Brunel core products have been developed in conjunction with the Cornwall Pension Fund and wider Partnership.

The Brunel Investment Risk Committee and the Brunel Investment Committee play key roles in ensuring that products are tracking guidelines, benchmarks, and risk parameters. We receive quarterly performance reports which include stewardship activity updates, portfolio narrative and metrics including risks.

On an annualised basis, product governance reviews are undertaken to ensure that products remain fit for purpose and meet our strategic objectives and specific and ongoing needs. We are consulted as part of the review and receive a report for assurance purposes. Should we require any changes or an additional portfolio to meet our strategic needs the Portfolio Creation and Amendment and Deletion (CAD) policy provides a high-level framework for exploring the development of new products and amendment to existing Portfolios at our request.

In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery from service providers meets expectations. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

An example of the Partnership working to improve the integration of ESG risks, in this Environmental and Social, is present in the case study 'Orchard Street Partners', on page 81.

In the event of a stewardship issue emerging that fell below Brunel's expectations, Brunel would share the concern and corrective action with the Brunel member funds. The same process would be followed should one of the Brunel member funds identify a stewardship related issue, and subsequently bring it to Brunel's attention.

The Fund utilised the LGPS National Framework to run a tender for the Fund's investment consultant contract. The tender consisted of a two- stage process, for which we had a number of high-quality submissions. Mercer, the incumbent consultant, were successfully reappointed for another term. Mercer particularly impressed us with their exceptional responsible investment credentials. The breadth and depth of knowledge, and experience of the team they have in place really shone through, and the Committee felt they were best placed to help the Fund achieve its ambition to be at the forefront of Responsible Investment best practice.

The contract awarded to Mercer was for 2 years, at which time the contract will be reviewed. Mercer's performance will be monitored by the Pensions Committee and Fund officers on an on-going basis. If it were deemed that Mercer were failing to meet their contractual obligations or were performing poorly, this would be discussed by Committee and options such as the implementation of an improvement plan, or termination of the contact would be considered.

In terms of Mercer's stewardship responsibilities: a large part of the work Mercer does for the Fund will be focussed on ensuring the Fund meets its 2045 Net-Zero target. As part of this, Mercer will conduct the following, which will help to shape the Fund's investment strategy:

- Regular carbon analysis on the Fund's assets (where applicable)
- Portfolio analysis: green/transition/green
- Climate Change scenario modelling on the Fund's Investment Strategy

Responsible Investment

- Net Zero 2045 target setting with interim targets to 2025 and 2030
- Monitoring Brunel to ensure Brunel portfolios are aligned and remain aligned with 2045 Net-Zero targets

Mercer also review output from Brunel and should any areas of concern be raised, we would challenge Brunel via the escalation process detailed in this document on page 59.

In June 2019 the Competition & Markets Authority (CMA) issued a Final Order, placing new obligations on service providers and pension schemes with regard to Fiduciary Management and Investment Consultancy Services. This impacted LGPS funds, in that they must not enter into a contract to receive, or to continue to receive, consultancy services unless they have set strategic objectives for their investment consultant provider. The Committee agreed these objectives by the 10 December 2019 deadline.

Following a further consultation process, the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 (the Regulations) came into force on 1 October 2022. This integrated certain parts of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the Order), introduced by the CMA on 10 June 2019, into pensions law.

The Regulations supersede two Parts of the Order that, in certain circumstances, require occupational pension scheme trustees to:

- Set and review objectives for their providers of investment consultancy services, and
- Carry out a competitive tender process when engaging fiduciary management (FM) providers.

Integrating Responsible Investment into our Manager Selection

Integrating Responsible Investment into manager selection is a core part of our work. Mandate design and a risk appraisal process prior to launching a search for a manager is therefore critical in ensuring that we focus on the right things.

The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment, thus our manager selection criteria are determined for each search.

We have a track record of action evidenced by work such as Brunel Asset Management Accord designed to capture not only our expectations of managers, but also the spirit of what they can expect from us. The accord supports long-term sustainable finance and specially calls on managers work collaboratively with Brunel on thought leadership and integration of ESG issues.

The examples on the right show some of the key issues we address when we appoint managers.

Philosophy	Policies	People
Board-level leadership	Commitment	Diversity and Inclusion
Corporate culture	Policy framework	Human Capital
Investment	Pricing and transparency	Numbers & retention

Processes	Participation	Partnership
Investment	Thought-leadership	In it together
Reporting	Innovation	Culture fit
Stewardship	Contribution to investment industry	

More information about the selection and monitoring of managers is on our **website**

New compliance reporting requirements and penalties for non-compliance will be introduced, with the Pensions Regulator ("tPR") overseeing the remedies that apply to trustees. The responsibility for monitoring, compliance and enforcement activity, will move from the CMA to tPR. The annual statement to the CMA is no longer required as compliance will be documented as part of the tPR annual Scheme Return process instead.

Officers have reviewed Mercer against the strategic objectives set by the Committee and a positive confirmation will be submitted in the tPR annual Scheme Return.

In terms of the Fund's Actuary, Hymans Robertson – an annual review of the service provided by Hymans Robertson is conducted with their service delivery team. Senior Officers of the Cornwall Pension Fund discuss the service provided during the year, the timing and quality of the service, and feedback any areas of concern. During the most recent review, the Cornwall Pension Fund fed back that it was very happy with the service being delivered by Hymans Robertson.

An annual review of the service provided by the Fund's Independent Advisor, John Finch, is also conducted. The Fund is extremely pleased with the service being provided by John, who's advice has been invaluable.

Responsible Investment

During 2023/24, by way of a tender, the Fund will be reviewing its actuarial contract, currently awarded to Hymans Robertson, and its investment consultancy contract, currently awarded to Mercer. The reviews will ensure that the Fund is receiving high-quality, efficient and effective actuarial and consultancy services, which represent good value for money.

Client and Beneficiary Needs

The Fund is aware of its need to effectively connect with its beneficiaries, and the Fund has a Communication Policy in place which details how we communicate with our members and other stakeholders, and how we intend to measure whether our communications are successful. The Communications Policy starts on page 141.

Communication methods span a number of approaches, including:

- **Statutory reporting** - the Fund produces, and makes widely accessible, its Annual Report, Investment Strategy Statement, Funding Strategy Statement, Governance Compliance Statement, and Responsible Investment Policy. These cover a range of in-depth information specific to the Fund, from the structure of the scheme and beneficiary base, to the funding position, investment beliefs and key RI priorities.
- **Additional disclosures** - in addition to the above reports, the Fund produces an annual Responsible Investment Outcomes Report, detailing things such as the year's RI activities, carbon metrics, and our climate change commitments. The Fund has also published on its website its second Task Force on Climate-related Financial Disclosures ("TCFD") Report. There is currently no requirement for the Fund to publish a TCFD Report; however, in keeping with Responsible Investment best practice, the Fund has committed to voluntarily reporting in-line with TCFD requirements. The Report can be viewed here: TCFD Report
- **Committee meetings** - The Fund's Pensions Committee and Local Pension Board both have Employer and Employee Representatives as members, to ensure membership representation. Representatives play an important part in the governance and administration of the Fund, taking into account the views of the Scheme Members. Pensions Committee meetings are open to the public and Committee papers are published online, at the following location: Pensions Committee.
- **Freedom of Information Act** - The Pension Fund is also subject to the Freedom of Information Act 2000, and regularly responds to Requests for information on the Fund, in accordance with the Act.
- **Direct member engagement** - On an ongoing basis, Officers respond to written and verbal questions and queries submitted directly by members or on their behalf through unions. This year topics have included our position around divestment, climate change, investments in Russia, inflation, and human rights.

The Fund's Actuary, Hymans Robertson, sets the investment time horizon considered appropriate to deliver the needs of clients and beneficiaries as part of the Funding Strategy Statement, and sets out the rationale behind this time horizon. The Funding Strategy Statement starts on page 108.

Scheme Member Survey

In addition, the Fund recently engaged with its members, by way of a Responsible Investment survey, to find out their views on responsible investment and the Fund's approach to responsible investment. This allowed the Fund to better understand the views of Scheme members on issues such as climate change. The feedback will be taken into account when we conduct our annual review of the Fund's Responsible Investment Policy, later in the year. It also allows the Fund to establish the best way to communicate with its members on the progress the Fund is making with regards to responsible investment.

Some headline figures can be seen below:

- Only 14.6% of respondents thought they had a good understanding of responsible investment
- 59.7% of respondents believe that climate change will present a significant financial risk to investments in the next 10-15 years, with a further 14.0% believing it will present a catastrophic risk.
- Out of the four engagement themes put to respondents (Social, Environment, Governance and Strategy, Risk & Communication), respondents thought that Social was the most important theme, closely followed by Environment.
- 24.3% thought it important that the Fund invests in sustainable assets and seeks to reduce the carbon intensity of its portfolios, with a further 29.2% believing it very important, and 30.8% believing it extremely important.
- Only 16.1% of respondents were aware of the Brunel Pension Partnership

Following the conclusion of the survey, we produced and published a report which contains the results of the survey, and gave readers further information on the work the Fund has been doing on behalf of its members with regards to responsible investment and issues such as climate change. We will be engaging with our members in this way on an annual basis, and we will monitor the number of members who participate, with the aim of a year-on-year increase in the number of members who participate.

As a Fund, we do however recognise that further improvements can still be made. As a result of the member survey, we are currently exploring ways of expanding our communications activity further, utilising tools such as social media and further member surveys. In addition, as a result of the feedback, we have increased the information available to members via the Fund's website.

To help members further, the Fund has recently implemented Member Self Service (MSS), which will allow the fund to communicate much more effectively with our members.

Investment Strategy Review

During the year, as part of the Valuation process, the Fund conducted a full review of its investment strategy. This was to ensure that the strategy was still appropriate to meet the requirements set by the actuary.

As part of the Fund's Investment Strategy review, the Fund utilised Mercer's climate change scenario modelling, to model the different potential impact, different climate change scenarios would have on the Fund. This modelled three climate change scenarios: a 1.5°C Rapid Transition, a <2°C Orderly Transition, and a 4°C Failed Transition, over three timeframes — 5 Years, 20 years, and 40 years. For each scenario, the relative asset class and industry sector sensitivities to climate risk factors was assessed over this timeframe.

In addition to this, Mercer also carried out carbon analysis on our existing investments. The analysis compared the carbon emissions of our investments in 2016 and 2019, 2020, 2021, and 2022, and compared these to a relative benchmark. This helped us better understand the current trajectory of the carbon intensity of our portfolio and will be used in the future to measure the Fund's performance against meeting its carbon intensity improvement objective.

From a liability perspective, Hymans Robertson (the Fund's actuary) have developed a climate change model to highlight some of the potential long-term climate change implications in terms of funding.

While undertaking modelling for the Fund, Hymans performed some further analysis identifying the impact of three different climate change scenarios on the long-term funding outcomes for the whole Fund. This isolated different market outcomes which Hymans associated the following scenarios:

- Head in the sand – slow Government and corporate response to climate change
- Challenging time – some Government and corporate response to climate change
- Green revolution – rapid joint Government and corporate response to climate change

This review resulted in the Fund increasing its allocation to the Social Impact Portfolio, from 5% to 7.5%. The Portfolio will continue to look at investment opportunities within Cornwall, but also have a wider focus (regional, national or international), to ensure positive financial returns. An overarching philosophy of the Social Impact Portfolio will be that Impact Investments are defined by alignment to United Nations Sustainable Development Goals (UNSDGs).

The updated Investment Strategy Statement begins on page 131.

Responsible Investment Training

During the year, the Pensions Committee and the Local Pension Board members attended a number of training sessions which were aimed at developing knowledge on Responsible Investment best practices and how these can be implemented by the pension fund. Topics covered included Social Investing, Net-zero, Responsible Investment Policy, Sustainable Development Goals, human rights, and more. More information can be found in the Knowledge and Skills section on page 16.

The Responsible Investment training undertaken by the Committee over the last two years has helped to shape the Fund's investment strategy, resulting in allocations being made to Global Sustainable Equities, Renewable Infrastructure, and Social Impact. It has also helped to inform decisions such as the Fund becoming a signatory to the IIGCC Net Zero Asset Owner Commitment, and the IIGCC Banking Initiative. More information on these can be found on pages 69 and 72.

Responsible Investment Reporting

As the Fund's holdings transition into Brunel portfolios, the Fund will be publishing the following metrics and data, as relevant, for different asset classes and strategies:

- Absolute carbon emissions
- Carbon emission per million pounds invested (carbon footprint)
- Carbon intensity (weighted average carbon intensity)
- Disclosure rates
- Fossil fuel revenue exposure
- Fossil fuel future emissions from reserves
- Green revenues (weighted average exposure)
- Management quality scores based on TPI methodology
- Transition alignment

Responsible Investment

- Real world impact
- Engagement and voting activities

In addition, we will:

- Enhance current disclosures required by TCFD
- Enhance metrics on private markets portfolios, biodiversity, physical risk and other environmental issues
- Progress our work and commitment to TNFD
- Work collaboratively to establish effective mechanisms to enhance reporting on real world impact

The Fund will use its website as the primary method of communication: www.cornwallpensionfund.org.uk

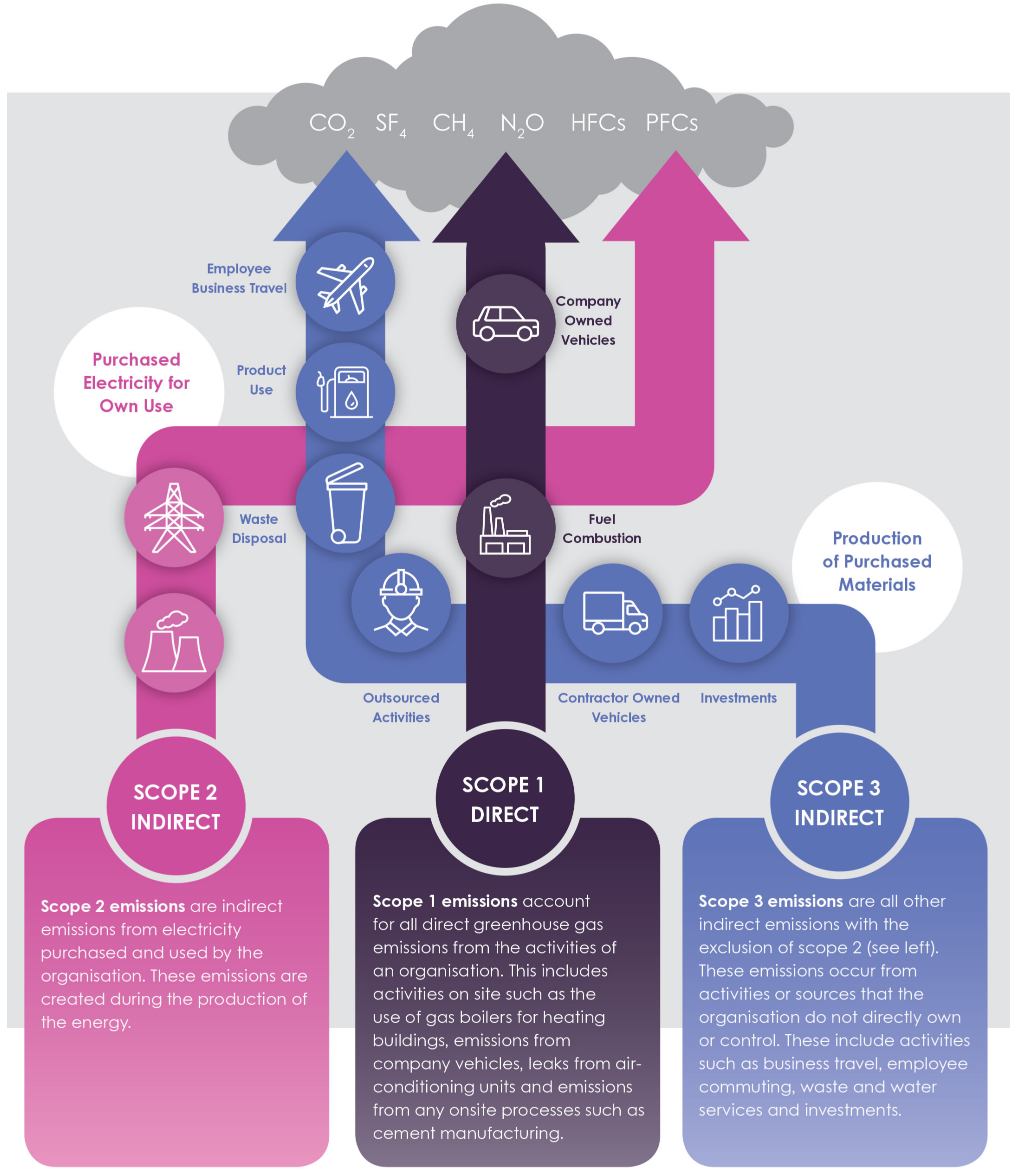
Carbon Metrics Reporting

Carbon footprinting, alongside other tools, is used to provide essential analysis on the carbon performance of the Cornwall Aggregate Portfolio, which is made up of the associated underlying Brunel listed equity Sub-Portfolios and any listed equity legacy funds.

Weighted Average Carbon Intensity (WACI) is used to show the portfolios exposure to carbon intensive companies. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of potential exposure to transition risks such as policy intervention and changing consumer behaviour. The WACI is one of the measures recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

Carbon metric reporting for the Cornwall's equity portfolios can be seen on the following pages (carbon metric reporting for the overall Brunel Partnership can be found later in this document) Carbon intensity is broken down by scope 1, scope 2 and tier 1 scope 3 emissions, the above diagram illustrates what these different terms mean.

Scope 1, 2 and 3 definitions



Responsible Investment

Cornwall Carbon Metrics Report

Carbon analysis has been conducted on the Fund's listed market equity portfolios. The report illustrates key Carbon Metrics for Cornwall's Brunel equity portfolios, and the combined portfolios (Cornwall Aggregate). The Cornwall Aggregate Portfolio is made up of Cornwall's share of Brunel Sub-Portfolio's (Brunel Global Sustainable Equity, Brunel Emerging Market Equity, Brunel Smaller Companies Equities, and Brunel Global High Alpha Equity), weighted by investments as of 31 December 2022. A Custom Benchmark has been used so that the Cornwall Aggregate Portfolio can be measured against a meaningful comparator. This is made up of the individual benchmarks from the Brunel Portfolios and weighted accordingly, as of 31 December 2022.

Absolute Carbon Footprint by Scope

Absolute carbon emissions is a relatively new metric that was introduced in last year's carbon metrics report. The measure refers to the total carbon emissions allocated to the portfolio in absolute terms and the higher percentage holding in a company within a portfolio, the more of its emissions are 'owned'. Absolute emissions for different Portfolios cannot be compared on a like for like basis because the data is not normalised and the size of the portfolio can skew the results. Absolute emissions for different Portfolios cannot be compared on a like for like basis because the data is not normalised and the size of the portfolio can skew the results.

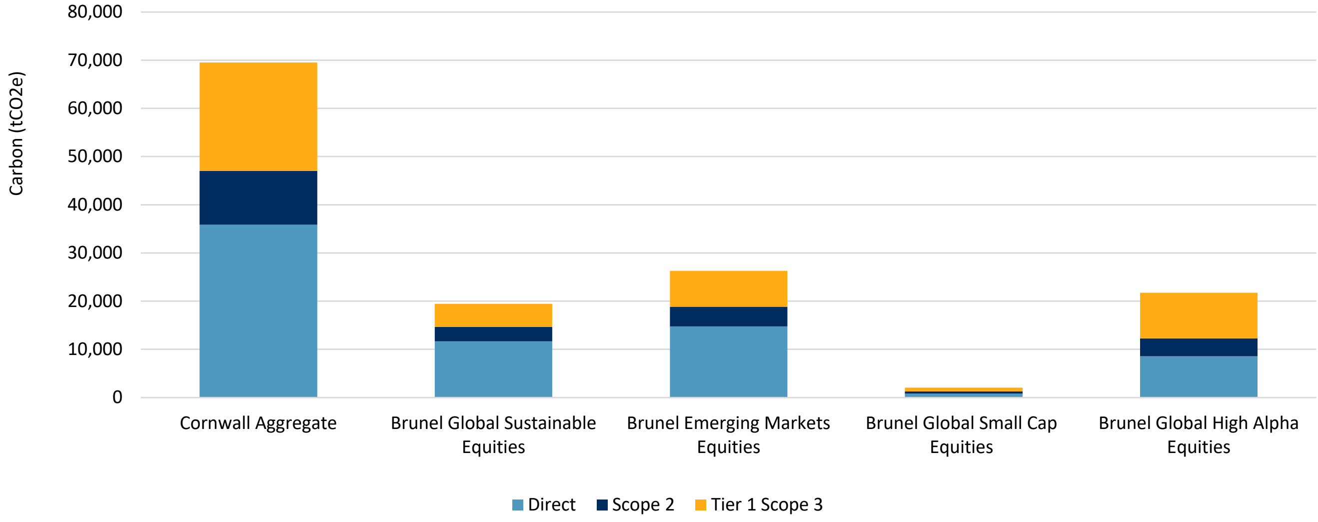
Weighted Average Carbon Intensity (WACI)

The Weighted Average Carbon Intensity (WACI) of the Cornwall Aggregate Portfolio is below its benchmark, with a relative efficiency of +33%.

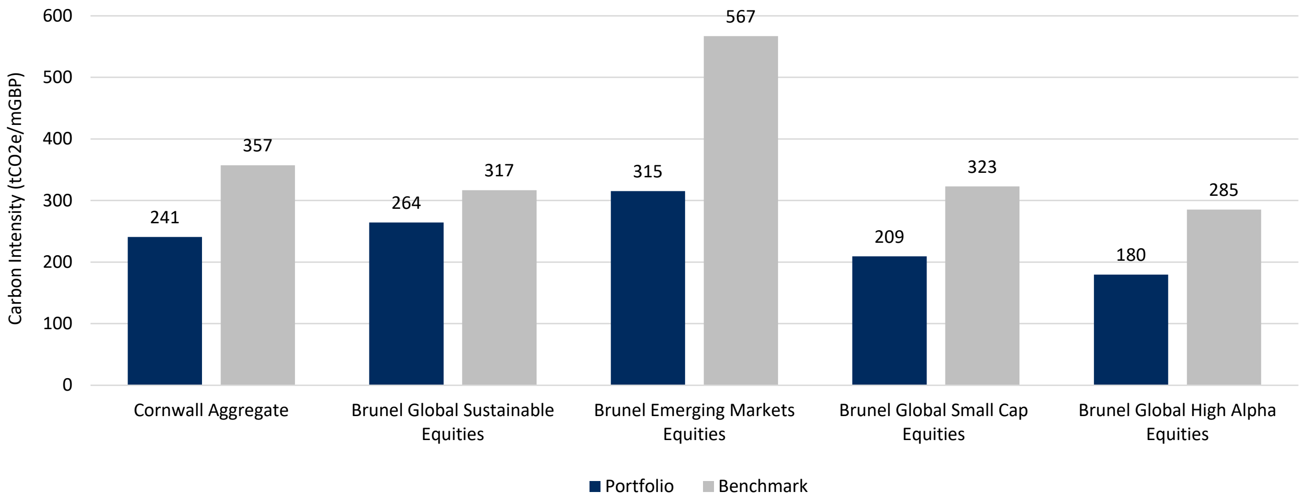
Of the underlying Portfolios within the Aggregate, the highest intensity was the Brunel Emerging Markets Equities Portfolio (315 tCO2e/mGBP), while the lowest was the Brunel Global High Alpha Equities Portfolio(180 tCO2e/mGBP).

All Sub-Portfolios have lower levels of carbon intensity compared to their respective benchmarks.

Absolute Carbon Footprint by Scope



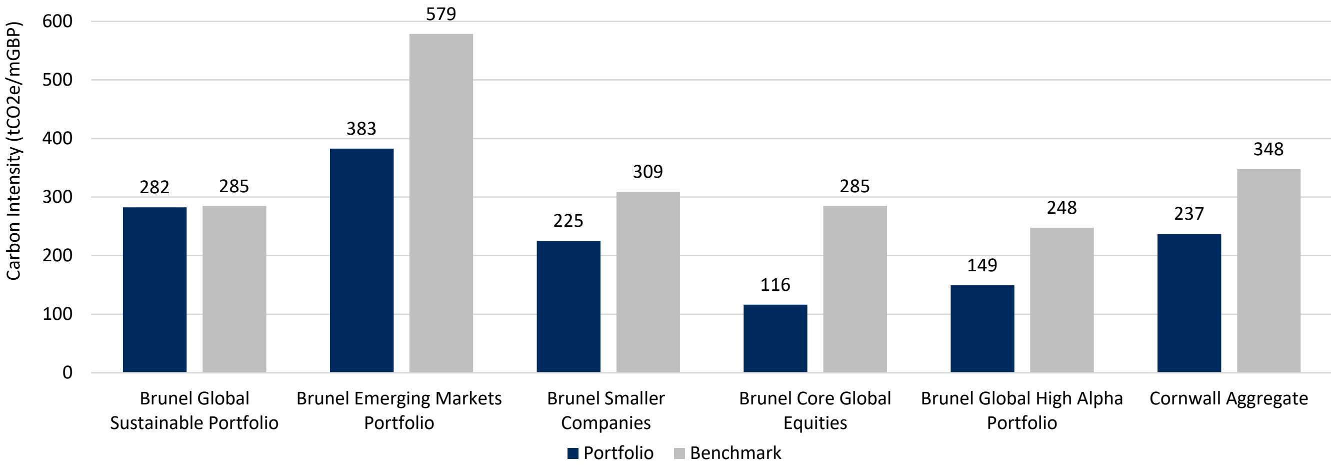
Weighted Average Carbon Intensity (WACI)



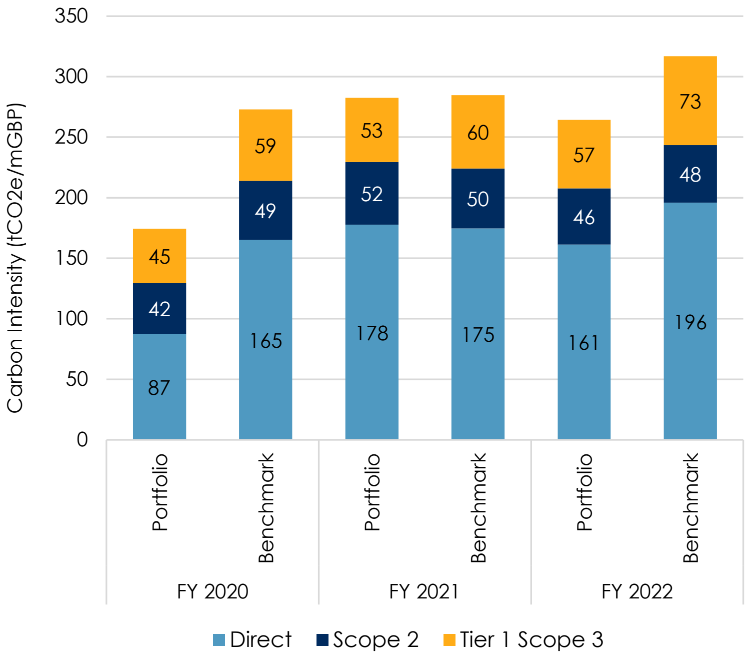
Responsible Investment

For comparison, below is last year's WACI. Due to changes in the portfolio since last year, the tables are not directly comparable.

Weighted Average Carbon Intensity (WACI)



The chart below shows the annual WACI vs benchmark of the Cornwall Aggregate Portfolio since 2020.

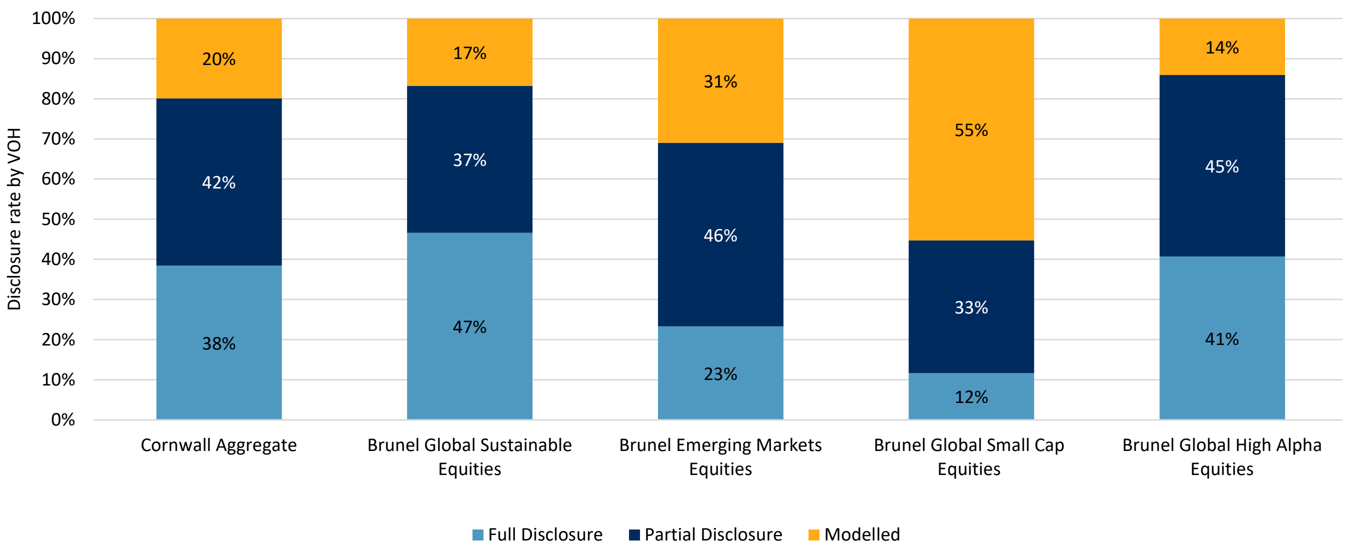


Although the Aggregate Portfolio is still well below benchmark in 2022, there has been an increase in the Portfolio WACI since 2020.

This increase was due to the Brunel Global Sustainable Portfolio.

This might at first seem odd, but in 2021 we added managers to our sustainable equity portfolio that are actively targeting investments in companies who are at the forefront of the energy and industrial transition to Net Zero. These are leaders in challenging and difficult-to-abate sectors. These sectors inevitably have a higher carbon intensity today than companies in most other sectors, whose own transition journey is dependent on such companies. These investments are essential to the transition, but our existing tools and ways of measuring risk do not do them justice. One of our key development areas is to develop a wider set of metrics that can provide a more rounded perspective on companies vital to the transition. One of these new metrics calculates the portfolio's exposure to green revenues. In 2021, we piloted the use of this data with the support of FTSE Russell.

Disclosure Rates



Disclosure Rates

Full Disclosure: Companies reporting their own carbon data (eg in financial reports, CDP disclosures etc)

Partial Disclosure: The data disclosed by companies has been adjusted to match the reporting scope required by the research process. This may include using data from previous years' disclosures as well as changes in business activities.

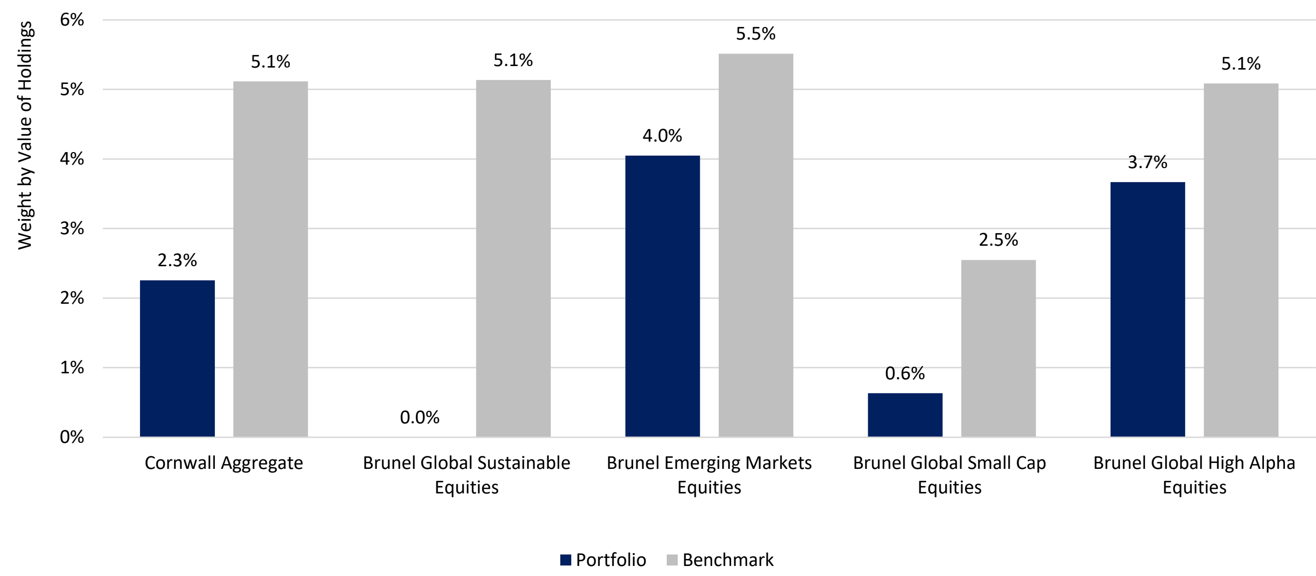
Modelled: In the absence of usable or up to date disclosures, the data has been estimated by Trucost models.

The company disclosures rates are based on Scope 1 emissions, where 45% of companies within the Cornwall Aggregate Portfolio have fully disclosed carbon data by carbon weighted method, and 38% by investment weighted method. The Trucost methodology for this carbon disclosure metric has been updated in order to reflect more granular disclosures. Companies must now be disclosing emissions across the different Kyoto protocol gases in order to be classified as 'full disclosure', whereas previously only an aggregate emissions figure was required.

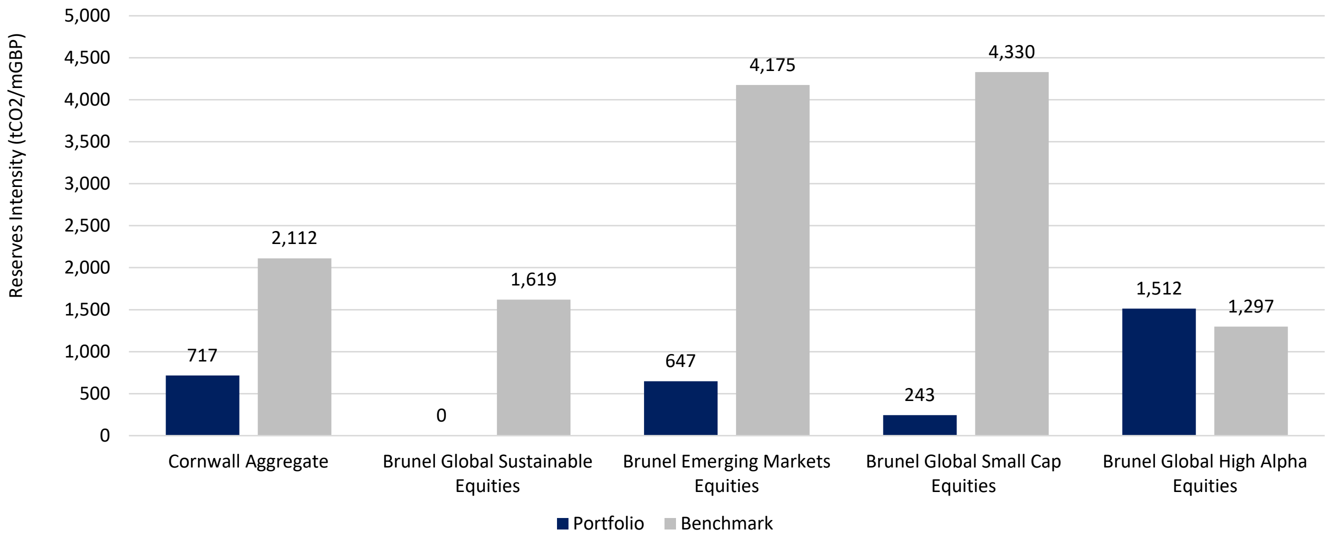
The aggregate rate of Full Disclosure for the investment weighted method is highest in the Brunel Global Sustainable Equities (47%) and lowest in the Brunel Smaller Companies (12%).

Responsible Investment

Reserves Exposure



Emissions from Reserves per Million Invested



Emissions from Reserves per Million Invested & Reserves Exposure

As well as assessing the revenue exposure from fossil fuel related activities, another way to assess the risk of stranded assets is to consider fossil fuel reserves. This is the exposure to fossil fuels which have not yet been realised by companies.

Fossil fuel reserves exposure give us a measure of companies that have disclosed their 'proven' reserves, as well as capturing companies that have 'probable' fossil fuel reserves.

Proven reserves exposure - have a > 90% chance of being present.

Probable reserves exposure - have a >50% chance of being present.

We identify companies that have both proven and probable reserves:

Taking the reserves exposures discussed above, we can look at an assessment of potential future emissions that may incur from these reserves being realised. This metric is not included in the WACI figure (which focuses on current intensity) - and so it is an important assessment of company's potential contribution to emissions via its stockpile of fossil fuels.

We have been able to assess the potential emissions associated with the proven and probable reserves for companies within our Portfolios, as well as an overall Portfolio assessment.

We illustrate the potential emissions from reserves for each of our Portfolios and their respective benchmarks below, as well as the Cornwall Aggregate Portfolio.

The Cornwall Aggregate Portfolio is less exposed to both fossil fuel revenues (0.90% vs 2.65%) and future emissions from reserves (0.56 MtCO2 vs 1.64 MtCO2) than its Benchmark.

Responsible Investment

IIGCC Net Zero Investment Framework

In keeping with the Fund's Responsible Investment Policy, and the aspiration of the Fund to be at the forefront of responsible investment best practice, the Fund became a signatory to the IIGCC Net Zero Asset Owner Commitment and was in the first wave of signatories to this new commitment when it launched.

The first phase of the NZIF was launched in 2021, with additional target-setting guidance published in December 2021. During 2021, the initiative also developed methodologies for infrastructure and private equity, for which consultations were held in 2022, alongside a consultation on the use of offsets.

The Commitment reads as follows:

Commitment
As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the Agreement, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action on climate change, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and play our part in helping deliver the goals of the Paris Agreement.

In this context, my institution commits to the following consistent with our fiduciary obligations:

1. Transitioning our investments to achieve net-zero portfolio GHG emissions by 2050, or sooner.
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework.
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C.
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner.
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.
8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.
9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with TCFD recommendations on climate financial risk.

This commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will therefore work to address these challenges, including through the Paris Aligned Investment Initiative.

This commitment is based on the expectation that governments and policy makers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

Further details of the initiative can be found here: Net Zero Investment Framework.

Collaborative Engagement

The Fund recognises that real world change comes about through co-ordinated action with the investment industry, corporate community, regulators and policymakers all working together. Playing our part means working with these groups to effect change and maximise the impact we can make within our sphere of influence. As a result, we work closely with our strategic partners to drive the development of ESG regulation and commitments made globally. Details on the remit of these organisations can be found below:

The Institutional Investors Group on Climate Change (IIGCC)
The Cornwall Pension Fund is a member of the Institutional Investors Group on Climate Change.

The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 400 members, mainly pension funds and asset managers, across 27 countries, with over $65 trillion in assets under management.

IIGCC's mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

In March 2021 Cornwall Pension Fund became one of the first signatories of the IIGCC's Net Zero Investor Framework (NZIF). The framework offers investors support in ensuring their portfolios are aligned with net-zero emissions. By doing so, it underlines the commitment of all signatories to work in a comprehensive manner to help deliver on the goal of the Paris Climate Agreement to keep global warming below 1.5°C.

Transition Pathway Initiative (TPI)
The Fund is a supporter of the Transition Pathway Initiative (TPI).

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies' preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. Launched in 2017, it is rapidly becoming the 'go-to' corporate climate action benchmark.

TPI provides robust, independent research which empowers investors to assess the alignment of their portfolios with the goals of the Paris Agreement and to drive real world emission reductions through our actions. Asset owner led, the Transition Pathway Initiative ('TPI') is the leading corporate climate action benchmark.

Task Force on Climate-Related Financial Disclosures (TCFD)
The Fund is also a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

The Task Force will consider the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.

The work and recommendations of the Task Force will help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors' needs.

The Fund has voluntarily committed to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD") requirements. The Fund will prepare and publish its third TCFD report in 2023.

Local Authority Pension Fund Forum (LAPPF)
The Fund continues to be a member of The Local Authority Pension Fund Forum (LAPFF). LAPFF is the UK's leading collaborative shareholder engagement group with combined assets of over £350 billion. The LAPFF promotes the investment interests of local authority pension funds, and seeks to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Further information on the LAPFF's work and its achievements over the year can be found on its website: LAPFF.

As a Fund, we have also been involved in a number of collaborative engagement efforts with the wider investment community, such as:

2022 Global Investor Statement to Government on the Climate Crisis
In keeping with the Fund's Responsible Investment Policy and its Net-Zero Commitment, the Fund has once again become a signatory to the Investor Agenda Global Investor Statement to Government on the Climate Crisis. The statement was launched on 2nd November 2022, with signatures from 604 investors representing over USD $42 trillion in Assets Under Management.

The 2022 Global Investor Statement to Governments on the Climate Crisis is the most ambitious statement to date in terms of the policy recommendations contained within it, calling on governments to raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C. The most ambitious actions called for include mandated climate transition plans from investors. In calling for this action, investors are directly asking for more climate disclosure regulation of the finance sector, in addition to calling for climate regulation of companies.

The statement also covers new policy areas not addressed in previous statements, including a focus on tackling methane pollution, climate adaptation and resilience, and scaling up climate finance for developing countries. Investor signatories to the statement are specifically urging governments to rapidly implement five priority policy actions, that will allow them to invest the trillions needed to respond to the climate crisis. The full list of policy recommendations can be found in the statement, but a summary is as follows. Investors urge governments to:

The Statement calls on all governments in 2022 to:

1. Ensure that the 2030 targets in their Nationally Determined Contributions align with the goal of limiting global temperature rise to 1.5°C. If their targets are not aligned, governments must enhance and strengthen their 2030 targets before COP27, taking into account different national circumstances.
2. Implement domestic policies and take early action to ensure that their 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5°C. This will require governments to accelerate the development, deployment and dissemination of technologies that enable the transition towards a net-zero emissions economy, including:
    a. Guaranteeing long-term resilience and energy security by rapidly scaling up the deployment of low-carbon energy systems, electrification, flexibility and storage, including the development of enabling infrastructure.
    b. Implementing robust carbon pricing mechanisms, rising over time, with appropriate coverage and adequate social considerations.
    c. Setting a deadline to phase out thermal coal power and fossil fuel subsidies, and establishing plans and targets to peak and then phase out the use of other fossil fuels, in line with credible 1.5°C pathways.
    d. Developing transparent just transition plans involving affected individuals, workers and communities.
    e. Establishing new or more ambitious commitments to end all deforestation globally.
3. Contribute to the reduction in non-carbon dioxide greenhouse gas emissions, and support the effective implementation of the Global Methane Pledge to reduce emissions by at least 30 percent from 2020 levels by 2030.
4. Building on the agreed outcomes of COP26, scale up the provision of climate finance from the public and the private sector for mitigation, and for adaptation and resilience, with a particular focus on the needs of developing countries.
5. Strengthen climate disclosures across the financial system through:
    a. Requiring mandatory TCFD-aligned reporting for the largest companies and financial institutions to report on climate-related risks and opportunities, backed by a robust global taxonomy.
    b. Requiring the public disclosure of 1.5°C pathway-aligned, science-based, independently verifiable climate transition plans for listed and large non-listed companies, asset managers and regulated asset owners.
    c. Coordinating and driving consistency across global financial regulation in the areas of mandatory climate risk disclosure and prudential risk supervision, as critical engines of progress necessary to address systemic risks.

The full statement can be viewed here: 2022 Global Investor Statement

The 2021 Global Investor Statement was the Investor Agenda's most ambitious yet. The Statement was showcased a week before COP26 and some of the key policy asks in the Statement were reflected in policy outcomes from the Summit and wider announcements at the end of 2021, including increased climate risk disclosure mandates, increasingly ambitious NDCs, and the UK's roadmap towards mandatory net zero transition plans. The 2021 Statement has also influenced wider policy developments including the US Securities and Exchange Commission's proposed climate disclosure rule launched in March 2022.

Asset Owner Diversity Charter

The Cornwall Pension Fund was amongst the first set of signatories, representing £1.08 trillion in assets under management, to declare support for a new Diversity Charter to tackle a lack of diversity across the fund management industry.

The Charter was formed with an objective to formalise a set of actions that asset owners can commit to improve diversity, in all forms, across the investment industry. The Charter has been devised by some of the largest pension schemes in the UK, forming a group called the Asset Owner Diversity Working Group, Co-chaired by Helen Price, Brunel Pension Partnership and David Hickey, Lothian Pension Fund.

The Diversity Charter offers a toolkit for analysing how asset managers are performing on diversity and inclusion – and where they can improve.

By signing up to the Asset Owner Diversity Charter, signatories are committing to take account of diversity and inclusion records from fund managers when choosing new partners. Diversity questions will form part of the overall assessment scores for each bidder, meaning fund managers wanting to work with these clients will have to disclose information and demonstrate real devotion on how they are tackling diversity and inclusion within their workforce.

Signatories also commit to including diversity as part of ongoing manager monitoring, a questionnaire will be provided to managers annually for completion. A key aim of the group was to create standardisation to improve disclosure. The charter questionnaire has been developed to be progressive and equip signatories to hold firms to account for ongoing progress. It goes beyond asking about the strategic approach, to identify how managers look at diversity and inclusion across five key areas; industry perception, recruitment, culture, promotion and leadership.

The charter is a multi-year project, the questionnaire will be refined over time to build in findings from leading initiatives such as the Socio-Economic Taskforce. A progress report will be produced a year from launch to highlight developing best practice and to equip signatories with ongoing engagement.

During the year the Cornwall Pension Fund issued the questionnaire to its managers for completion. We have collated the responses and have submitted them to the Diversity Project. The data submitted by signatories of the charter is now being analysed and will be used to inform next steps.

The charter is live on the diversity project website: www.diversityproject.com/assetownerdiversitycharter

IIGCC Paris Aligned Asset Owners Initiative
The Fund also became a signatory to the IIGCC Paris Aligned Asset Owners Initiative.

Signatories to the initiative must disclose their initial interim targets within a year of joining the initiative and review on a regular basis with a view to increasing the proportion of assets until 100% are included. In-line with the Fund's updated Responsible Investment Policy, and updated 2025, 2030, and 2045 carbon reduction targets (see page 46), the Fund was one of 43 investors to recently submit interim carbon reduction targets to the Institutional Investors Group on Climate Change (IIGCC).

Since becoming a signatory to the initiative, the Fund has submitted to the IIGCC its initial interim targets and information about our net zero strategy and action plan.

During the year, the IIGCC finalised the process for signatories to report progress against the 10 point commitment statement. The process has been designed to ensure signatories communicate progress and challenges on an annual basis. The Cornwall Pension Fund will be reporting on its progress in late 2023.

IIGCC Banking Initiative
The Fund is also a signatory to the IIGCC Net Zero Investor Expectations of Banks initiative, as part of meeting it's climate change commitment on the engagement of the banking sector. This initiative sets a list of investor expectations for how banks should demonstrate alignment with the goals of the Paris Agreement. The expectations cover three key areas:

1. Action banks should take to align their financing activities with the Paris goals;
2. Steps to strengthen governance to ensure delivery of net zero commitments; and
3. Disclosure to demonstrate implementation.

Further details of the initiative can be found here: IIGCC Banking Initiative

Building on the Investor Expectations for Banks, published in 2021, and in conjunction with the Transition Pathway Initiative (TPI), the IIGCC have now published a Net Zero Standard for Banks that works alongside TPI's Banking Assessment Framework to support investor engagement with banks.

The standard and framework will allow investors to clearly understand and engage with 26 assessed banks on their respective net zero transition plans.

Expectations are set and measured based on 10 key areas: bank commitments; targets; exposure and emissions disclosure; emissions performance; decarbonisation strategy; climate solutions; policy engagement (lobbying); climate governance; just transition; and annual reporting and accounting disclosures; and complements the Net Zero Investment Framework.

The IIGCC's banks working group, which includes more than 25 investors, will use the standard and framework to engage with 20 banks across Europe, Canada and Asia. The working group's vision statement can be viewed here. The principles of the standard can be used by investors in engagements with the broader banking sector.

Social Impact Portfolio

Following the decision made as part of the 2021 Annual Investment Strategy review, where the Cornwall Pension Fund created a 5% allocation to a Social Impact Portfolio, the Pensions Committee at its meeting on the 21st October approved a proposal to allocate £65m to Affordable Housing in Cornwall and £50m to UK Renewable Energy Income with 50% of this in Cornwall. These investments will be delivered through the Brunel Pension Partnership in line with the approved social impact portfolio governance framework, which specifies that investments will be through regulated investment funds.

The high-level brief for the Social Impact Portfolio, is to look at investment opportunities in Cornwall, in addition to wider regional, national, and potentially international opportunities, with investments defined by alignment to the United Nations Sustainable Development Goals ("UNSDGs").

A press release was issued to make scheme members aware of this positive development, it can be viewed here: Social Impact Press Release

As a result of this year's investment strategy review, the Fund has increased its allocation to the Social Impact Portfolio, from 5% to 7.5%. This will allow the Fund to further increase the positive impacts it can deliver.

Investment Awards

The Cornwall Pension Fund is proud to announce that during the year, it won the Investment Innovation Award at the 2022 LAPF Investment Awards.

The Fund won the award for its multi-asset social impact fund, which has local investments; the first designed and implemented with an LGPS Pool.

In addition, the Brunel Pension Partnership also won the Pensions for Purpose Place-based Impact Investing Award and the Europe-wide IPE Impact Investing Award, with the submissions largely focussed around Cornwall's impact fund.

TCFD Report

The Fund has published on its website its second Task Force on Climate-related Financial Disclosures ("TCFD") Report. There is currently no requirement for the Fund to publish a TCFD Report; however, in keeping with Responsible Investment best practice, the Fund has committed to voluntarily reporting in-line with TCFD requirements.

The Report can be viewed here: TCFD Report

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

The TCFD is committed to market transparency and stability. They believe that better information will allow companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investment to sustainable and resilient solutions, opportunities, and business models.

TCFD disclosure recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These thematic areas are intended to interlink and inform each other.

Responsible Investment

Responsible Investment Work Plan

There are a number of responsible investment ("RI") related activities on which the Fund will focus during 2023. The table below details some of the major RI activities the Fund will be undertaking during the year. The full work plan for the Fund can be found in our Business Plan.

Action	Description
TCFD Reporting	The Fund has voluntarily committed to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD") requirements. The Fund will prepare and publish its third TCFD report in 2023.
IIGCC Net-Zero Framework	The Fund will continue to engage with the Institutional Investors Group on Climate Change ("IIGCC") on their Net-Zero Investment Framework, and further integrate the Framework into the Fund's responsible investment practices, which includes developing a more detailed implementation plan for the listed equity portfolios and expanding the Fund's more detailed Net Zero target setting, to incorporate the other asset classes as the research develops (currently just in place for listed equities).
Scheme Member Engagement	The Fund will once again engage with Scheme members on responsible investment and the Fund's Responsible Investment Policy. This will allow the Fund to better understand the views of Scheme members, and to improve communication on the position and progress the Fund is making with regards to responsible investment.
FRC UK Stewardship Code	Officers will again produce a report demonstrating the Fund's compliance against the requirements of the Financial Reporting Council's (FRC) UK Stewardship Code, which is required annually to be a signatory to the Code. Following the successful 2021/22 submission, this year's submission will be required to retain the Fund's status as a signatory to the Code.
Responsible Investment Outcomes Report	The Fund will once again publish a Responsible Investment Outcomes Report. The Report will detail the progress the Fund has made throughout the year in evolving its policies in responsible investment and climate change, and will also detail some of the RI achievements the Fund has made over the year.
RI Policy Review	Following the conclusion of the Fund's Investment Strategy review, the Fund will conduct a full review of its RI Policy, to ensure the Fund remains at the forefront of Responsible Investment best practice.

Responsible Investment

Brunel Pension Partnership and Responsible Investment

As asset owners, the Fund sets its asset allocation and investment strategy. Since the introduction of pooling across the Local Government Pension Scheme, the Fund is no longer responsible for fund manager selection. This process is now handled by Brunel, who manage our investments in line with our strategic objectives. Brunel was formed in July 2017, and Cornwall, along with 8 other local authorities and the Environment Agency, each own 10%. The 10 funds and the operator, Brunel Ltd, have a mutual commitment to building a financial system which is fit for a low carbon future and feel this commitment is pivotal to driving change together.

The Brunel Pension Partnership Investment Principles and its supporting responsible investment policies clearly articulate Brunel's commitment, and that of each Fund in the Partnership and its operator (Brunel Ltd), to be responsible investors and as such recognise that ESG considerations are part of the process in the selection, non-selection, retention and realisation of assets. One of the potential principal benefits, outlined in the Brunel Pension Partnership business case, achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Brunel has published its Responsible Investment Policy Statement and other related policies, which lay out its approach in more detail. More information is on the Brunel website: Brunel Pension Partnership.

Brunel Responsible Investment and Stewardship Outcomes Report
The Brunel Pension Partnership ("the Partnership") has recently published its annual Responsible Investment and Stewardship Outcomes report.

The report details the great progress the Partnership has made during the year with regards to Responsible Investment.

The full Report can be viewed here: Brunel Responsible Investment and Stewardship Outcomes Report

The following are some highlights from the Report.

Brunel Executive Summary

Responsible Investment

Paris Alignment & The Net Zero Investment Framework

One of the Fund's climate change commitments is "Investing to reflect the Paris Agreement goals, and the latest science-based evidence, while maintaining a focus on the Fund's priority of achieving a net zero carbon investment portfolio by 2045 The following demonstrates the work the Partnership is doing to support this:

The Paris Aligned Investment Initiative
The Partnership have been actively involved with the Institutional Investors Group on Climate Change (IIGCC) in the development of the Paris Aligned Investment Initiative to enable investors to target Net Zero.

The Partnership has also been actively involved in development and promotion of the IIGCC Net Zero Investment Framework, which aims to set a global standard for investors to demonstrate they are Paris-aligned.

The Paris Aligned Investment Initiative had three main objectives:

- Develop working definitions of concepts, terms and pathways relevant to achieving Paris aligned portfolios
- Develop and assess methods and approaches for measuring alignment and the transition of asset classes
- Test the financial implications of aligning portfolios to the goals of the Paris Agreement, using real-world portfolios and quantitative modelling

Net Zero Investment Framework
The project took an investment-led approach and delivered recommended frameworks for achieving Paris alignment by decarbonising portfolios and increasing allocations to climate solutions. The first phase of the framework was launched in 2021, with additional target-setting guidance published in December 2021. Brunel are using the framework and target-setting guidance to develop targets for their updated climate policy, due to be published in 2023.

During 2021, the initiative also developed methodologies for infrastructure and private equity, alongside a consultation on the use of offsets. Brunel's 2023 Climate Policy includes additional objectives and targets on portfolio decarbonization, company alignment, climate solutions and climate stewardship, in line with the Net Zero Investment Framework guidance on best practice.

Net Zero Investment Framework

Responsible Investment

The Just Transition Alliance

The Brunel Pension Partnership was a founding signatory of the Financing the Just Transition Alliance which has the vision to identify concrete steps that the financial sector can take to scale up climate action which also delivers positive social impact, both in terms of maximising the social benefits of net zero and also making sure no one is left behind.

Carbon Intensity Improvements

Another of the Fund's climate change commitments is its adoption of a transition leaders carbon reduction target, of a 43% reduction by 2025 and 76% reduction by 2030 (versus 2020 baseline position) for our listed equity allocation, whilst recognising that the Fund has already achieved a 77% reduction in absolute emissions for the equity allocation between 2010 and 2020. The below demonstrates some of the work the Partnership are doing in this area on behalf of the Fund and the other members of the Pool.

Climate Change

Climate change presents an immediate, systemic and material risk to the ecological, societal, and financial stability of every economy and country on the planet. It has direct implications for Brunel's clients and their beneficiaries. It is therefore a strategic investment priority for Brunel and its clients.

Brunel's experience and expertise in managing climate change-related risks and opportunities; their scale; their influence; and the strength and support of their clients, provides Brunel with a unique position in the investment industry.

In 2020 Brunel designed a five-point plan as part of their Climate Change Policy, to guide their work. Committing to regularly monitor its implementation and publicly report on its effectiveness. This can be seen on the right, along with Brunel's updated targets.

Public Policy Target – Sovereign Debt

100% of UK sovereign issuance to be subject to direct or collective engagement.

Brunel's **sovereign debt exposure** is almost all UK-based* and designed for the primary purpose of liability matching and therefore falls outside of the scope of the NZIF requirements. However, Brunel's policy work continues to focus on the UK government's Net Zero commitments and we actively participate in supporting implementation.

* our multi-asset portfolio can hold EM sovereign debt. Our collaborative work on EM strategically seeks to address engagement on those assets.

Product Governance Target – Portfolio alignment

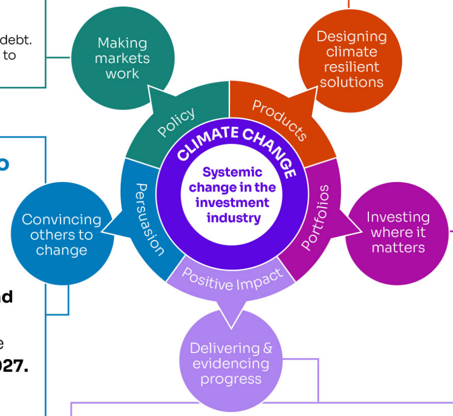
100% AUM in material (high impact) sectors* In developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030**, extending to **all markets by 2040.**

Brunel's ambition is that **by 2040 all listed assets are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning**.**

By June 2024, Brunel commits to setting alignment targets for corporate bonds, infrastructure, real estate and secured income consistent with the NZIF and a timeline for target setting in other assets classes.

* Currently in scope are listed companies on the Climate Action 100+ focus list; companies in high impact sectors consistent with Transition Pathway Initiative sectors including banks.

** Note that, for a product to be on track for meeting its target, at least 80% of assets must fall into in the first and second categories



Portfolios – Decarbonisation

Brunel Target: Reduce emission carbon intensity (scope 1&2) for all Brunel's listed equity and corporate bond portfolios **by 50% by 2030, using a trajectory of at least 7% per annum reduction**, from baseline of investable universe as at 31/12/2019 (or appropriate subsequent date).

Brunel also commits to set additional decarbonisation targets to cover separate **Scope 3** targets to incorporate material sectors and other activities that will assist in achieving our overall goal **no later than June 2024.**

Persuasion Target – Portfolio stewardship

Ensure **70% of financed emissions in material sectors are either aligned, aligning or subject to direct or collective engagement and stewardship actions** for all listed equity and corporate bonds by June 2024, increasing to **90% by June 2027.**

Engage with **100% of investment managers and general partners*** on measuring emissions, disclosure levels and setting targets for decarbonisation and alignment **by June 2024.**

Engage 100% of carbon-based energy and transport infrastructure assets as part of collective or direct engagement, or management interventions. Brunel Infrastructure portfolios have limited exposure to such assets and, where they do, it is often part of a wider programme of energy transition and/or efficiency.

With regard to our private markets' portfolios more broadly, we will sequentially focus on our infrastructure, secured income, real estate, private equity and private debt portfolios, with the ambition of **setting targets for the first three of these by June 2024.**

* Real estate scope is limited to the model portfolios and engagements in private markets will be a combination of direct and via our strategic partners.

Positive Impact – Climate solutions

We commit to providing investment opportunities across asset classes to contribute to Brunel's own alignment, which in-turn allows clients to meet their climate solutions targets.

- **Global Sustainable equity portfolio** (reporting green revenues)
- **Green, Climate and SDG bonds** (report % AUM and £m)
- **Infrastructure**

  Brunel's Infrastructure portfolios have strong ESG credentials, limiting exposure to high climate impact areas and have strategy targets including;

  - Cycle 1: **>35%** in renewable energy
  - Cycle 2: **50%** in renewable and climate solutions
  - Cycle 3: **70%** minimum target for Sustainable Infrastructure, of which at least **40%** (i.e. most of the SI allocation) will be in climate solutions

  Brunel will provide annual updates as to the sustainable exposure, including climate solutions, of its infrastructure portfolios from 2023 onwards.
- **Real Estate and Secured Income** (impact and renewables exposure – reporting metrics to be developed)

We feature numerous case studies of investments that specifically target climate solutions through decarbonisation and energy efficiency as well as climate adaptation and resilience, in our annual reporting. **We plan to expand our reporting through developing metrics to assist with assessing the portfolios and to set targets in June 2024.**

During 2022 the Partnership undertook its first Climate Stocktake – a deep dive to assess what they had delivered; stakeholder views of their progress to date; their priorities going forward together; and what updates to the scientific advice and investment best practices were relevant to shape the policy.

Following this analysis, Brunel's new Policy has been launched. It extends that five-point plan to 2030, as they pursue their aim to change the broader financial system. The Climate Change Policy has been developed in collaboration with Brunel's clients and key stakeholders. For each area Brunel have set targets which are consistent with the Net-Zero Investment Framework and its target setting guidance. They also reflect the Brunel and client priority to have real world impact and reduce real risk, not to just superficially make their portfolios look better.

Climate Stocktake

The main purpose of the stocktake was to assess of the effectiveness of actions taken to address the commitments made in Brunel's 2020 policy.

Brunel published a Climate Stocktake report, describing the main actions taken between 2020-2022, and their outcomes. The review was undertaken by Chronos Sustainability, summarising the main points, the report stated that;

- Significant progress had been made both relative to its starting point in 2020 and relative to the ambitious targets set at that time
- Brunel are ahead of target to reach the Net Zero halfway point by 2030, thanks to outdoing its 7% annual carbon exposure reduction target
- Brunel has undertaken considerable engagement with all of its investment managers on climate change and has developed market-leading investment products (the Paris Aligned Benchmark harnesses indices for climate investing and the Multi-Asset Credit portfolio drives forward RI in more esoteric bond asset classes)
- Brunel facilitated significant investments in green assets via its infrastructure and secured income portfolios
- Brunel has also established firm foundations – in terms of, internal accountability and governance processes, building manager competence, strengthening data and performance measurement – that will underpin its work in the coming years

Some key highlights of Brunel's work for 2022 are listed below:

- Extensive outreach promoting their climate public policy positions and promoting the Paris Aligned initiative's Net Zero Investment Framework at UN Climate Conference - COP27
- Supporting well-functioning markets by working collaboratively through Glasgow Financial Alliance for Net Zero (GFANZ) and with the UK Government development of a Green Taxonomy and Transition Plans
- Supporting the development of the International Sustainability Standards Board (ISSB) and specifically the exposure drafts for sustainability report and climate reporting. Brunel's Chief Responsible Investment Officer (CRIO) is a member of the Investor Advisory Group for the ISSB

Carbon Metrics Reporting

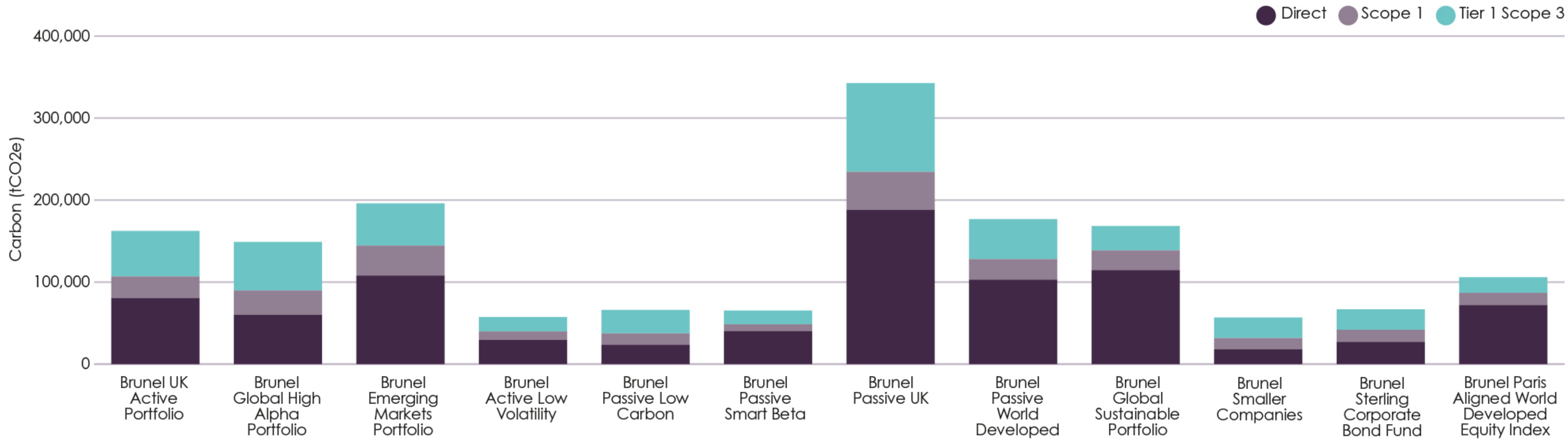
Carbon footprinting is used to provide essential analysis on the carbon performance of Brunel Portfolios and appointed managers. The data helps identify major contributors and engagement opportunities. As well as providing detailed carbon metrics report for the Fund's listed equity portfolio, Brunel also produce a report of the wider Brunel portfolio. Brunel's full report can be seen on their website.

Analysing a variety of carbon metrics is one of Brunel's principal tools in managing risks and identifying opportunities associated with climate change. As best practice evolves and the regulatory landscape demands greater disclosure, Brunel have spent time understanding the requirements of the Financial Conduct Authority (FCA) and TCFD as well as the best practice recommendations of the Net Zero Investor Framework (NZIF) and Partnership for Carbon Accounting (PCAF).

The Brunel Pension Partnership have evolved its carbon metrics reporting to include absolute emissions. This is a measure of total emissions allocated to the portfolio in absolute terms, and involves allocating emissions to an investor based on levels of capital invested in a company. The higher the percentage holding in a company within a portfolio, the more of its emissions are 'owned'. Absolute emissions for different portfolios cannot be compared on a like-for-like basis because the data is not normalised, and the size of the portfolio can skew the results.

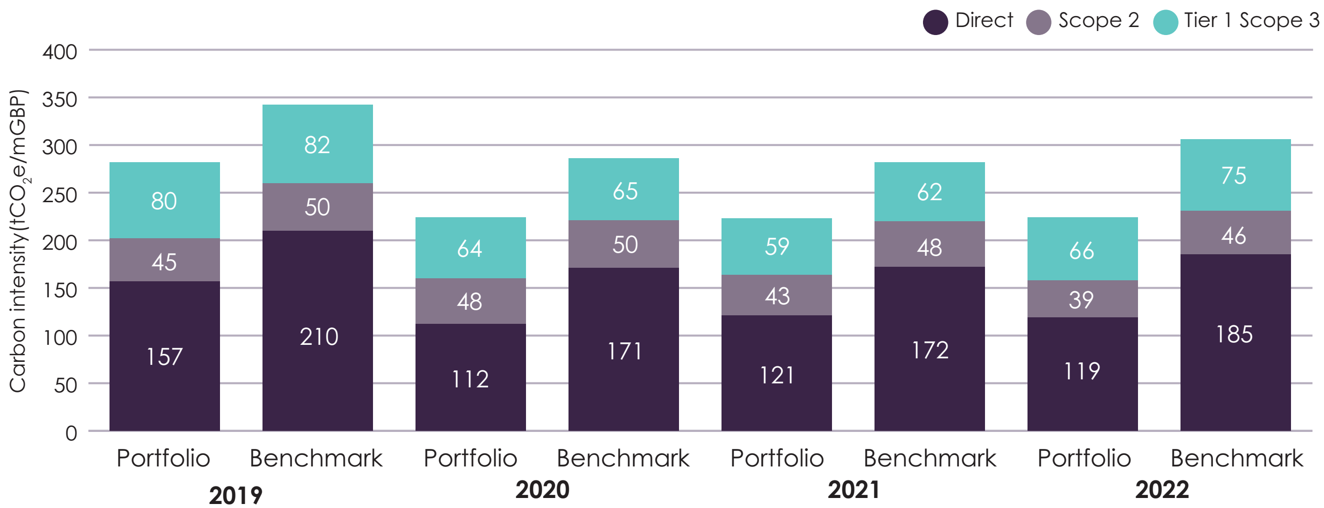
Brunel have also moved from using Enterprise Value (EV) as a denominator in its carbon metrics to using Enterprise Value Including Cash (EVIC). Brunel have provided more insights into what all the jargon around this means in their Climate Change Action Plan, but the key point is that this change is what has been recommended as best practice – which is why Brunel has adopted it.

Absolute carbon emissions



The Brunel Aggregate Portfolio is the weighted average of the underlying investment mix which clients have chosen. Compared to its benchmark, the aggregate portfolio is 27% less carbon intensive on a Weighted Average Carbon Intensity (WACI) basis and 35% less than the baseline set in 2019.

Brunel Aggregate WACI



Responsible Investment

A portfolio Weighted Average Carbon Intensity ("WACI") is determined by taking the carbon intensity of each company and weighting it based on its holding size within the portfolio. The WACI is one of the measures recommended by the TCFD because carbon-intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing. WACI is a useful indicator of potential exposure to transition risks such as policy interventions and changing consumer behaviours.

Full Disclosure: Companies reporting their own carbon data (eg in financial reports, CDP disclosures etc)

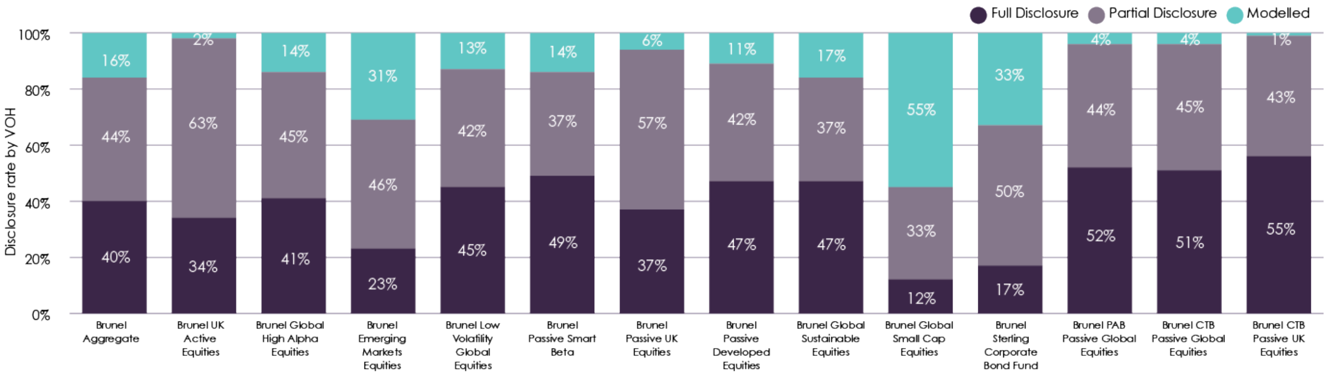
Partial Disclosure: The data disclosed by companies has been adjusted to match the reporting scope required by the research process. This may include using data from previous years' disclosures as well as changes in business activities.

Modelled: In the absence of usable or up to date disclosures, the data has been estimated by Trucost models.

To undertake the carbon emissions and fossil fuel analysis requires companies to disclosure all the required information. Disclosure rates vary enormously across the world, and this is one of the reasons Brunel is a strong advocate for mandatory climate risk reporting for all companies. The higher the level of direct disclosure, the higher the confidence in the data against which to take action. Over time, we seek to increase the proportion of direct or 'full disclosure' of all our portfolios.

As supporters of TCFD, corporate disclosure is important. Brunel's disclosure rates have fallen compared to previous years, but this is a result of the data provider updating its methodology requirements for companies to be classified as having 'full

Disclosure Rates



Carbon intensity 2022 vs December 2019 Benchmark Baseline

Portfolio	Reduction %	2022 Portfolio	2019 Baseline
Brunel Aggregate	34.68%	224	343
Active Portfolios			
Brunel UK Active Equities	21.91%	220	282
Brunel Global High Alpha Equities	40.22%	180	301
Brunel Emerging Markets Equities	44.70%	315	570
Brunel Low Volatility Global Equities	40.16%	200	334
Brunel Global Sustainable Equities	20.89%	264	334
Brunel Global Small Cap Equities *	32.25%	209	309
Brunel Sterling Corporate Bonds**	17.52%	152	184
Passive Portfolios			
Brunel Passive Smart Beta	12.81%	483	554
Brunel Passive UK Equities	-5.80%	298	281
Brunel CTB Passive UK Equities	10.96%	250	281
Brunel Passive Developed Equities	5.65%	286	303
Brunel PAB Passive Global Equities	41.08%	179	303
Brunel CTB Passive Global Equities	26.13%	224	303

* Trucost updated methodology in 2020 means we have taken December 2020 as a baseline for the Brunel Global Small Cap Equities

** This Portfolio has a baseline of 31 December 2021 disclosure'. Companies now must make disclosures surrounding each gas identified in the Kyoto protocol in order to be classified as 'full disclosure'. It is not just Brunel that seeks to make continuous improvement, but such tightening of criteria – whilst welcome – can complicate analysis on a like-for-like basis over the years.

Unsurprisingly, companies under lower regulatory regimes such as Smaller Companies and Emerging Markets have lower levels of disclosure rates. Generally speaking, all of Brunel's Portfolios tend to have higher disclosure rates than their respective benchmarks.

Progress Already Made in reducing Carbon Risks

Case Study: Orchard Street Partners
The Partnership committed just under £90m with Orchard Street in their inaugural impact fund at first close. Brunel acts as the Fund's cornerstone investor on behalf of eight of the Brunel partner Funds.

The fund sits within our UK Property portfolio. The fund will target value-add real estate investment opportunities with the potential to generate a measurable social and environmental impact. Specifically, it will focus on the three impact areas from decarbonising existing buildings via an accelerated programme of refurbishment, investing in local communities, using a proprietary place-based needs model to identify and respond to local social issues. It will also focus on making buildings healthier for those that live and work in them, for example through improving air quality, access to green space and wellness amenities.

Orchard Street has also taken a market leading approach by linking 30% of its performance fees to the achievement of the Fund's specific impact objectives, thereby aligning itself directly. Not only to financial outcomes, but also to important environmental and social goals.

Driving Change in Company Behaviour

The Fund believes that one of the benefits of pooling, achieved through scale and additional resources, is the improved implementation of stewardship practices. The following case study demonstrate some of the action the Brunel Partnership have taken in this area.

Case Study: Microsoft
The issue of sexual harassment in the workplace is a pervasive problem that affects millions of employees worldwide. Although there are numerous laws and policies aimed at preventing sexual harassment, many companies continue to struggle with fostering a safe and respectful workplace culture. The 2022 Gender Equality in the Workplace report by Randstad, which surveyed 6,000 working adults, found that the majority (72%) of women had either encountered or witnessed inappropriate behaviour from male colleagues at work. Showing that although policies are in place the issue is still prudent.

Microsoft have recently found its culture under scrutiny when it announced plans to buy troubled video game franchise producer Activision Blizzard in January 2022. In 2021, during the build up to this takeover, Activision was accused by the US Equal Employment Opportunity Commission of failing to take corrective and preventive measures on sexual harassment complaints, discriminating against women in pay and promotions, and discriminating against pregnant workers. In July 2021 they also faced a lawsuit from California regulators alleging the company "fostered a sexist culture".

Held both actively and passively by Brunel, in Q1 2022 there was engagement with Microsoft on a 2021 shareholder proposal that had gained 78% support, which asked the board to report on the effectiveness of its workplace sexual harassment policies. In tandem Microsoft were forwarded expectations for board oversight of sexual harassment and discrimination issues that had already been sent to the Activision board.

In response, the company said that its communications on these issues had improved. It also committed to annual public reporting on the implementation of its sexual harassment and gender discrimination. This transparency was appreciated, and they were then encouraged to integrate Microsoft policies and practices at Activision Blizzard when the acquisition closed.

Engagement will continue with these companies on their approach to gender equity, governance of sexual harassment and discrimination, and a culture of safety for women, and all employees. In 2023, engagement will be intensified in these sectors with a look to broaden approaches to other sectors where there may be similar systemic problems.

Brunel – Industry Initiatives

A list of Brunel's partnerships and affiliations can be found on page 15 of Brunel's RI Policy

Brunel's chief responsible investment officer, Faith Ward, was a founder of the Transition pathway Initiative ("TPI") and was formerly co-chair. Brunel sits on the steering committee continuing its contribution to the initiative. TPI has seen many companies improving disclosures and progressing through the levels. One of TPI objectives is improve and evidence Management Quality through disclosure. Brunel has set itself targets based on TPI which are also integrated into their engagement and voting. Making progress against these targets is one way in which the effectiveness of the initiative can be judged, as can the number of public supporters which has grown to 142 presenting $50 trillion (at July 2023), in assets under management or advice.

However, Brunel acknowledges that the progress made by these companies is a result of engagement by many participants across the industry, not least those covered by the Climate Action 100+ initiative. TPI has partnered with Climate Action 100+ providing data and analysis to develop The Climate Action 100+ Net-Zero Company Benchmark, the first assessment of the biggest corporate greenhouse gas emitters and their efforts to transition to net zero businesses. Climate Action 100+ set 2023 as its milestone for its stewardship outcomes with Annual Reports providing transparency on progress and effectiveness.

Brunel assesses the effectiveness of its affiliations and partnerships as part of its business planning process as many have resource or budget implications. This assessment is currently a high level, qualitative assessment.

Biodiversity

The United Nations convened COP15 delivered much needed impetus to addressing the ongoing loss of terrestrial and marine biodiversity. The policy framework on biodiversity, agreed in December 2022 by 188 governments (including the UK), named the Kunming-Montreal Global Biodiversity Framework (GBF)6, established four international overarching goals with twenty-three under pinning targets.

The headline targets for 2030 included:

- 30% of the world's land, inland waters, coastal areas and oceans being protected
- 30% of degraded terrestrial, inland waters, coastal, and marine ecosystems to be restored or restoration underway
- Net-zero loss of areas of high biodiversity importance, including those with high ecological integrity
- Remove or reform harmful subsides, whilst incentivising positive action including the mobilisation of $200 billion per year of public and private finance

There are also targets that will support Brunel's stewardship with companies focusing on reducing the use of pesticides, chemicals, and halving food waste.

Clearly learning from the climate agreements, the GBF places clear commitments on financial institutions (as well as large companies) "to monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity through their operations, supply and value chains and portfolios." We are delighted that the agreement strongly reinforces the biodiversity strategy set out by Brunel last year and is available on Brunel's website.

Brunel's work on biodiversity in 2022 was focused on outreach to our managers and engagement specialists. This enabled Brunel to highlight the growing importance of the issue, set out our expectations going forward and identify emerging best practices. We are delighted to share examples of this work in practice.

The links and interrelationships between climate and biodiversity are clear, but Brunel recognised that making it explicit when the Partnership updated its climate policy would assist both them and all of their stakeholders. Brunel have also identified that it would be helpful if they could apply similar tools and techniques, such as carbon footprinting, that have assisted them in their climate work in identifying priority companies to engage with and track portfolio progress over time. These tools would assist in aligning these activities with the challenges of nature risk.

How is EOS addressing biodiversity through engagement?
EOS developed a dedicated biodiversity engagement programme to accelerate and deepen the focus on biodiversity protection and restoration. The programme includes 15 companies from the food and beverage sector around the globe. The selection process for the target companies was based on multiple factors, including laggard companies on the Forest 500 or Farm Animal Investment Risk and Return (FAIRR) benchmarks, companies with low ratings on the World Benchmark Alliance Seafood Index, or those selected as having poor water-related performance as part of the Ceres Valuing Water Finance Initiative. EOS also looked at companies with controversies related to biodiversity, such as inappropriate antibiotic use and animal welfare concerns.

EOS sent a letter to each company identified outlining the risks of not addressing biodiversity loss. They also held individual and collaborative engagement meetings to highlight their expectations and discuss how each company could contribute to halting and reversing nature loss.

Other sectors for which biodiversity loss is material include infrastructure, banking and financial services, fast fashion, chemicals, and extractives, due to their operational and supply chain impacts on biodiversity. In EOS's engagements, they are integrating more biodiversity discussions for these sectors to progress cross-industry action on biodiversity.

Material issues for engagement include regenerative agriculture, deforestation, sustainable proteins, water use, animal welfare, antimicrobial resistance, chemicals and pollution, and ocean health. The key topic for EOS is deforestation, as it has the most related metrics and certification schemes across the industry.

Case Study: Stepstone, Infrastructure – Organic Farming
We hold MeadlowLark Lands Fund I in our Cycle 3 Infrastructure portfolio, aimed at creating a more sustainable food system. MeadowLark focus on organic farmland which seeks to improve soil health and organic matter and reduce GHG emissions from farming, with associated biodiversity, ecosystem and climate benefits.

The conversion of conventional farmland to organic, and sustained organic farming practices, are expected to drive impactful environmental benefits from improved soil health and microbial activity that will result in improved biodiversity and ecosystems. The improved soil organic matter will allow for additional sequestering of carbon from the atmosphere increasing soil carbon. A further benefit of organic farming is the reduced usage and run off pesticides and synthetic fertilisers into water systems.

Case Study: Stepstone – Profile and New Mountain Capital, Private Equity – Innovative Farming
New Mountain Capital in our Cycle 2 Private Equity Portfolio acquired Profile Products a leading developer and manufacturer of highly engineered specialty agriscience materials. Their work promotes environmental sustainability whilst delivering superior performance for horticulture, erosion control, sports turf, and other specialty applications.

Profile has pioneered significant innovation through the introduction of its highly engineered wood substrate product known as HydraFiber®, a growing medium that promotes improved water availability and soil porosity, which allows for better, faster root development and greater yields for growers. In addition, the HydraFiber® is more cost competitive than the products being replaced and improves clients' environmental sustainability outcomes.

Plastics Pollution

Brunel, alongside 26 international investors, joined a collaborative engagement led by First Sentier Investment, with support from the Marine Conservation Society. Using our collective influence, the aim was to engage with 18 of the largest manufacturers of washing machines around the world. To understand what they're doing about microplastics through washing machine use and to champion technological advances to tackle this issue.

On the 5 January, Samsung, one of our target companies, announced a collaboration with Patagonia to develop a new machine with a microfibre filter. This is another huge positive development for us following on from the Grundig Fibrecatcher machine launch in late 2021. Samsung machines are the third most popular brand in France where a new law comes into force in in 2025 which prohibits the sale of machines without a filter. Engagement continues with a focus on business plans post Jan 2025 for companies who will be impacted by the French Circular Economy Law.

Case Study: LyondellBasell - Equities
EOS has been engaging with LyonellBasell on Climate change and the circular economy. Following this engagement, LyondellBasell prioritised actions in its 2020 sustainability report to help eliminate plastic waste from the environment including waterways and oceans and to advance a circular economy. The company has a goal to produce and market two million metric tons of recycled and renewable-based polymers annually by 2030. To deliver on this ambition, it recently announced a new organisational structure including a Circular and Low-Carbon Solutions business segment and is strategically investing along the value chain. Whilst a quantifiable water goal was not set by the company, water management efforts are well covered in the sustainability report. Overall, this progress is positive to see, engagement continues.

Repair, Redesign, Reuse

The phrase Reduce, Reuse, Recycle is one many know, recycling bins have become a permanent feature in homes. More and more companies are looking at the packaging they use and exploring alternative materials. But, if we are to create a sustainable world worth living in we need to shift to a circular economy, one which requires us to shift to a mindset of repair, redesign and reuse.

Stewardship is an intrinsic part of our private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long term nature of the investments that are made. When assessing potential private market investments, we pay particular attention to ESG and sustainability throughout the selection process. The below case studies demonstrate how our Infrastructure investments are supporting the circular economy model.

Case Study: Infrastructure, Infravia Capital – Energy from waste
In our Cycle 2-General Infrastructure portfolio we have invested in an Infravia Capital Fund investment, through Blue Phoenix Group (BPG). BPG is focused on providing integrated sustainable solutions to the energy-from waste ("EfW") sector for treatment and recycling of bottom ash that remains after waste incineration.

Responsible Investment

BPG provides an essential service to EfW operators, diverting their output from landfill and recycling it into usable product. They are uniquely positioned to capture growth from the trend to reduce landfill and increase recycling in the EU, the UK and other selected international markets.

Recycling and processing plants are critical infrastructure to move the waste supply chain towards a more circular model and as such BPG is a key enabler of the green agenda.

Case Study: Infrastructure, NTR – Reclaimed Landfill Site
NTR has acquired Ockendon solar farm following its acquisition from REG Power Management. The solar farm is located in Essex (UK), with the solar farm considered to be one of the largest to be built on a repurposed landfill site in Europe and will provide 58.8MWp for 17,000 homes, once operational.

NTR is held in our Cycle 1 Infrastructure portfolio. In line with NTR's focus on creating a circular economy to protect the environment, the former landfill site is being left undisturbed, with specialist engineering and design techniques being adopted by NTR to repurpose the land for renewable energy power generation.

Using the latest solar technology, NTR will install 540Watt bi-facial solar panels which are capable of capturing sunlight on both sides of the panel. These panels have a higher efficiency rate, resulting in increased output density and optimisation of energy yields per square metre. Mobilisation works have commenced with the project expected to be fully operational in Q3 2023.

Cyber

For the purpose of this report, the term 'cyber' refers to an array of issues covering data privacy, data security and 'big data', including artificial intelligence (AI) and the associated human rights issues.

As the digital economy surged off the back of the COVID-19 pandemic, so did cybercrime. This trend continued throughout 2022, Cyber attacks such as phishing, ransomware and distributed denial of service (DDoS) attacks increased. Cloudflare, a major US cybersecurity firm that provides protection services for over 30% of Fortune 500 companies, found that DDoS attacks increased by 79% year over year. With ongoing economic and geopolitical instability experts are predicting that 2023 will be a consequential year for cybersecurity.

According to the World Economic Forum's new annual report, The Global Cybersecurity Outlook 2023, 93% of cyber leaders and 86% of business leaders believe a far reaching and catastrophic cyber event is at least somewhat likely in the next two years, an increase on last year's report. Cyber leaders, business leaders and boards of directors are now communicating more directly and more often, but they continue to speak different languages.

Organisations continue to face significant challenges when it comes to effectively addressing cyber concerns. The report noted that leaders are responding to these concerns by strengthening controls for their third parties with access to their environments and/or data and re-evaluating which countries they do business in. Leaders intend to strengthen controls for third parties with access to their environments and/or data and are likely to achieve this by focusing on in-house solutions for cyber risk management, whereas security leaders place a higher priority on partnerships with other organisations. This gap between leaders can leave firms vulnerable to attacks as a direct result of incongruous security priorities and policies.

Case Study: Ethical AI
Artificial intelligence (AI) is developing at a rapid rate and influencing how companies identify growth opportunities and how users interact online. This technology is developing so quickly that the law has not kept pace with its use. Investors are required to increasingly engage with companies to place a fundamental importance for their policies to go beyond legal requirements to ensure respect for fundamental human values. If used unethically AI can cause severe deleterious effects for individuals, the environment, and society. During 2022, a UK coroner found that harmful online content had contributed to the death of a 14-year-old schoolgirl in a "more than minimal way". Building user trust in the protection of digital rights and use of AI has become a critical part of any company's social licence to operate.

EOS has been engaging with companies specifically on data privacy and artificial intelligence since April 2018. In 2019, they published 'Expectations on Responsible Artificial Intelligence and Data Governance', which set out engagement frameworks encompassing a breadth of risks across data governance, bias and cyber security, their engagement on this was covered in our 2021 outcomes report. Earlier in 2022, EOS wrote to some of the largest tech companies around the globe and introduced their Digital Rights Principles. They made several requests including that companies enhance their disclosure on enforcement of policies and protections for children and young people. They also asked that they build trust in their use of AI, especially for the purposes of curating, ranking, and recommending online content.

EOS met with most of the global tech companies to reiterate the Digital Rights Principles requests and tracked their responses. One company they met with was Alibaba. Alibaba uses AI to optimise its supply chain, drive personalised advertisements and build products. Alibaba has two main pipelines it enhances with AI; driving sales with optimised recommendation systems and cloud AI to support variable sales/traffic volumes. Although market leaders in AI integration across their supply chain, Alibaba has come into controversy in China over their collection and control of data and their failure to adhere to the China Personal Information Protection Law. In 2021, Alibaba were fined US$2.8Bn for antitrust violations.

EOS engaged with Alibaba on complying with China's Personal Information Protection Law, establishing more transparent data policies, and having mechanisms in place to mitigate customer grievances. They held follow up meetings to reiterate these requests and track their responses. At the meeting with Alibaba, the company acknowledged the need to enhance its focus on ESG issues, and outlined plans to recruit experts and develop an ESG strategy that includes the responsible deployment of AI. Alibaba has made progress, and we now have an established and ongoing dialogue with the company. It has assured us that its upcoming ESG report will include enhanced disclosure on key topics.

EOS also engaged with standards-setting organisations for digital rights such as the Global Network Initiative and the Ranking Digital Rights Index to influence their standards and inform our views on best practice. They gave feedback on the Value Reporting Foundation's (formerly the Sustainability Accounting Standards Board's) draft reporting framework for content governance and freedom of expression, to encourage the inclusion of metrics on children and teens. We also signed a statement in support of the EU Digital Markets Act and Digital Services Act.

The Digital Rights Principles will be used to inform voting recommendations at relevant shareholder resolutions with companies. EOS will continue liaising with the Global Network Initiative and the Ranking Digital Rights Index to advance respect for digital rights.

Human rights and social issues

The most profitable and sustainable companies are those that attract, develop and retain talent. 2022 continued to be a challenging year for companies, as economies began to emerge from the covid pandemic. Some countries were still in a state of lockdown and the war in Ukraine and rising inflation perpetuated supply chain disruption globally. People are facing a cost-of-living crisis, one impacting those on the lowest wages disproportionality. From December 2021 to December 2022, domestic gas prices increased by 129% and domestic electricity prices by 65%. The cost-of-living crisis and rising inequality has led to the biggest strike action since 2011, it's estimated that rails strikes cost the UK hospitality sector £1.5bn in December.26 Strikes will be a dominant feature of 2023 alongside the continued challenges of hiring into certain sectors. Our work across human rights and social issues continues to build on the momentum over the past years that has elevated the 'S' of ESG.

As part of our investment selection process, we expect our fund managers to understand and support the struggle against violations of human rights. We insist that companies comply with all legal requirements and the duty to respect all internationally recognised human rights, including the obligations of the Modern Slavery Act in the UK and the United Nations Guiding Principles on Business Human Rights (UNGPs). We are supportive of companies that provide disclosure on their workforce and follow the Transparency in Supply Chains guide issued by the Home Office. We encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains. Several data sources are used to monitor the underlying

companies within our portfolios on human rights and supply chain standards, as well as on compliance with the Ten Principles of the United Nations Global Compact. Within our investments, we engage with companies on their approach to human capital management. We expect all companies to have Board level oversight of strategies relating to employee development, and to contribute to a positively engaged, committed and talented workforce. In addition, we expect companies to provide contextual information and disclose key performance indicators on an annual basis.

Modern Human Slavery

There are 40 million people entrapped in modern slavery globally, of which 25% are children and 58% are women and girls. This is an issue that is on our own doorstep, with an estimated 136,000 victims of modern human slavery living in the UK. It is likely in the supply chain of almost every company globally; $18bn of imported goods produced by people trapped in forced labour are reckoned to be imported into the UK every year. Modern human slavery can take many forms and it is often out of sight. It is usually as a result of people becoming controlled and entrapped in jobs which from the outside can seem like normal employment. People who are trapped in slavery often face violence or threats, may be forced into inescapable debt, have their passports taken away, or risk deportation. For many, they have been taken advantage of whilst vulnerable because they were trying to escape poverty and insecurity, or to improve their lives and support their families. The vast majority of forced labour is in the private sector – where an estimated 16 million people are exploited. It is often in sectors such as construction, agriculture or domestic work.

What actions have been taken?

Collaborative engagement programme

Brunel have been part of a group of 39 investors, representing $3 trillion, that has written to 54 companies in The Gulf, focusing on high-risk sectors such as hospitality, construction and oil & gas. The programme, led by CCLA, seeks to engage companies across a number of key areas related to the recruitment and ongoing use of migrant labour, in order to minimise the risk of modern human slavery.

Of the 54 companies that were written to as part of the programme, 10 companies reported no current operations in the Gulf Nations and 16 failed to respond. The majority of companies fell short of best practice in a number of key areas – for example, only 33% of companies forbade recruitment fees and passport retention within their policies. Where companies had not disclosed issues, the engagement team shared effective practice utilised by their peers as well as documents outlining best practice. Where there were specific concerns, the engagement pushed for further information.

Brunel Walking the Talk

As part of Brunel's ongoing commitment to 'walking the talk', they made a decision to include modern human slavery in the due diligence of all of their suppliers as standard practice. This means that suppliers are assessed on their understanding and their processes and approach to modern human slavery risks on an annual basis. Full details of Brunel's approach to managing modern human slavery risk can be found within Brunel's modern human slavery statement on their website.

Case Study: Labour Rights

Labour rights violations are an issue in many parts of the world, creating high exposure to risk amongst complex labour-intensive supply chains. Forced labour, long working hours, poor working conditions, and restrictions on the freedom to work, often impact vulnerable groups the most. Large scale supply chains with poor transparency led to companies breaking labour rights laws without their own knowledge. In last year's outcomes report we reported on how we've engaged with our managers on forced labour in China, the following case study details engagement undertaken with Taiwanese electronics manufacturer Hon Hai – also known as Foxconn.

EOS have been engaging on a wide range of labour issues including long hours and monotonous work since 2014. Hon Hai itself has acknowledged that staff turnover was high, with most of its human resources work focused on administration. Furthering this, despite employing over one million people globally, they did not have a human capital management strategy. An example of labour right violations was the existent student worker programme allowing them to employ underage workers.27 Furthering their rocky labour rights record an internal company investigation found some controversial displaced Uighur workers at its Zhengzhou campus in China, but they had been there for over a decade.

EOS engaged with the company and they acknowledged that there were operational oversight issues, and the company subsequently developed a labour strategy, which prevented students under the age of 18 from working in production. Remedial actions were discussed which included the termination of the existing student worker programme and raising the working age to the international labour standard of 18.

Through engagement several human capital management frameworks and metrics for tracking and disclosure were discussed with the chief people officer. EOS found that the company already measured some of these metrics and had some good internal practices, but they were concerned about disclosure.

In 2021, when asked about the risk of forced labour in and from the Xinjiang Uyghur Autonomous Region (XUAR). Hon Hai shared a public statement saying that: "… at no time has Foxconn ever had employees in its workforce in any market who have not voluntarily joined our firm. Any allegations to the contrary are categorically false." It referenced a Validated Audit Process it asked the Responsible Business Alliance to conduct, which published a report in October 2020 indicating that no workers from XUAR were employed at the time of the audit. The chair made a further statement in May 2021 that the company was committed to promoting and protecting the rights of each worker. In May 2022, we were pleased to receive the company's new long-term social goals, which included milestones to 2025 and beyond, including some metrics. The plan addresses important aspects of a human capital management strategy, including human rights and labour standards, opportunities for employee feedback, and inclusion and diversity. Overall, this shows significant progress, and we remain committed to following up with the company on implementation.

Financial statements

Fund Account	2022-23		2021-22		Notes
Dealings with Members, Employers and Others directly involved in the Fund	£m	£m	£m	£m	
Contributions	96.118		95.963		7
Transfers In from Other Pension Funds	6.215		5.332		7
Total Contributions		102.333		101.295	
Benefits Payable	(87.738)		(85.244)		7
Payments to and on account of leavers	(4.713)		(4.938)		7
Total Payments		(92.451)		(90.182)	
Net Additions from Dealings with Members		9.882		11.113	
Management Expenses	(25.201)		(20.456)		8
Net Additions including Fund Management Expenses		(15.319)		(9.343)	
Returns on Investments					
Investment Income	18.419		17.242		9
Taxes on Income	(0.184)		(0.080)		9
Profit and Loss on Disposal of Investments and Changes in Market Value of Investments	(20.991)		132.880		10
Net Returns on Investment		(2.756)		150.042	
Net Increase / (Decrease) in the Net Assets Available for Benefits During the Year		(18.075)		140.699	
Opening Net Assets of the Scheme		2,362.903		2,222.204	
Closing Net Assets of the Scheme at 31 March		2,344.828		2,362.903	

Net Assets Statement	31 March 2023	31 March 2022	
	£m	£m	Notes
Long Term Investments	0.707	0.838	10
Investment Assets	2,336.951	2,351.899	10
Investment Liabilities	-	-	
Total Net Investments	2,337.658	2,352.737	
Long Term Assets	2.142	2.635	16
Current Assets	9.558	13.477	16
Current Liabilities	(4.530)	(5.946)	16
Net Assets of the Scheme as at 31 March	2,344.828	2,362.903	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2023. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial data included in Notes 14 and 15.

Notes to the Pension Scheme Accounts

1. Description of the Fund

The Cornwall Pension Fund “the Fund” is a Local Government Pension Scheme (LGPS).

General

Local Government Pension Schemes are required to be funded and the Fund is required to be sufficient to meet the estimated future pension entitlements of current and past employees. It is actuarially re-valued every three years to establish the contributions to be made by the employers to achieve this objective. Transfers into or out of the Fund are sums received from, or paid to, other pension schemes. These relate to new and former members’ periods of pensionable employment, where transferable.

After meeting pension payments and other benefits, the balance of the Pension Fund is invested in a range of investments. The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

The LGPS Regulations 2013 (as amended)

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

The LGPS (Management and Investment of Funds) Regulations 2016

Financial statements

The Pensions Committee is responsible for all matters relating to the Pension Fund. The membership includes two member-nominated representatives and two representatives of the employers in the scheme. The Pensions Committee has approved a scheme of delegation to the Section 151 Officer. Whereas the Pensions Committee approves all policies, the Section 151 Officer is empowered to invest monies of the Pension Fund. The Head of Pensions, Treasury and Technical also has delegated responsibilities based on the approved scheme of delegation. The Pensions Committee receives investment advice from the Fund's investment consultant, Mercer, and also receives guidance from an independent advisor who helps ensure good investment governance.

The Pensions Board carries out an oversight function to ensure such decisions are properly compliant with regulations, guidance and internal policies. An Investment Strategy Statement, setting out how the Fund's investments are managed, can be viewed on the Pension Fund website at www.cornwallpensionfund.org.uk or in the Pension Fund Annual Report.

Membership
All employees (except teachers and fire fighters who have their own schemes) are entitled to join the scheme. Individuals have the right to seek alternative pension arrangements if they so wish. On 31 March 2023 there were 146 employer records in the Fund with active members (148 in the previous year). The recent trend in the reduction in employer records is attributable to a number of contracts ending and Academies merging.

The following table shows a breakdown of the membership.

	2019	2020	2021	2022	2023
Contributors					
Cornwall Council	6,810	6,881	6,816	7,015	7,052
Academies	7,386	7,709	7,730	7,920	7,971
Other Bodies	3,888	3,816	3,558	3,413	3,465
Total Number of Contributors	**18,084**	**18,406**	**18,104**	**18,348**	**18,488**
Pensioners					
Receiving Benefits	14,460	15,329	16,256	16,905	17,569
Deferred Benefits	21,060	20,785	21,118	22,127	23,683
Total Number of Pensioners	**35,520**	**36,114**	**37,374**	**39,032**	**41,252**

Funding
Benefits are funded by contributions and investment earning. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013. There are two sections in the scheme, the main section and the 50/50 section. The main section contributions range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2023. The 50/50 section allows members of the scheme to elect to accrue a lower personal benefit by paying half contributions. Employer contributions are set during the triennial actuarial funding valuation, the actuary determines the appropriate level of employer contributions for each employer, and these can be found in the Rates and Adjustments Certificate. The last such valuation was at 31 March 2022, which revealed that the Fund's assets were valued at £2,363 million and were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £100 million. The next formal valuation will be carried out as at 31 March 2025, however the position is monitored on a quarterly basis by officers and the Pensions Committee, using a projection produced by the actuary for the valuation of the Fund's liabilities and the quarterly asset valuation from the Fund's custodian.

Benefits
Prior to 01 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 01 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is reviewed annually, in line with the Consumer Prices Index.

2. Basis of Preparation

These accounts summarise the Fund's transactions for 2022-23 and its position at the year ending 31 March 2023. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the code), based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The Fund's Administering Authority is Cornwall Council, and the Council's professional staff who prepared these accounts, followed the same accounting policies, principles and practices that have been adopted for the Council's own Statement of Accounts for 2022-23.

The accounts have been prepared on a going concern basis.

3. Accounting Policies

Fund Account – Revenue Recognition and Expense Items

Contributions
These are included on an accrual's basis, where these amounts have been determined on the closure of accounts.

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all LGPS schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

These accruals do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations. Lump sum benefits are accrued at year end.

Employer deficit contributions are accounted for on the due dates on which they are payable, under the schedule of contributions set by the scheme actuary or on receipt, if earlier than the due date. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Investment Income and Expenses
Investment income for pooled funds is held back within the pooled funds and reinvested, this value is reflected in the unit price. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Interest income is recognised in the Fund Account as it accrues, and dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are accrued for.

Benefits Payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Transfer Values to/from Other Funds
Transfer Values represent amounts received and paid during the period for individual members who have either joined or left the Cornwall Pension Fund during the financial year. Individual transfers in/out are accounted for on a received or paid basis during the year and are calculated in accordance with the LGPS Regulations. Block transfers would be accrued, if they straddled the year end.

Pension Fund Management Expenses
Pension Fund Management Expenses have been prepared in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Expenses (2016), and as such have been split into administrative expenses, oversight and governance costs and investment management expenses. All items of expenditure are charged to the Fund on an accrual's basis.

Administrative Expenses
The staff costs of the pension benefits team are charged direct to the Fund, as is the associated management, accommodation and other overheads which are apportioned to this function.

Oversight and Governance Costs
These include the staff costs of the investments team, advisors to the Fund and other services which help the Fund provide effective oversight and governance. The associated management, accommodation and other overheads which are apportioned to this function are also charged to the Fund.

Investment Management Expenses
Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Where an investment manager's fee note has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used.

Management fees are agreed in the respective mandates governing the manager's appointments and are based on the market value of these investments under their management and therefore increase or reduce as the value of these investments change.

In addition, some of the Fund's investments have an element of their fee which is performance related.

Taxation
For taxation purposes, the Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As Cornwall Council is the Administering Authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

Financial statements

Net Assets Statement

Financial Assets
Financial assets are included in the Net Assets Statement on a fair value basis at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset and any gains or losses arising from changes in the fair value are recognised in the Fund Account.

The values of investments included in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has been minded to take consideration of the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2018).

Cornwall Council and the other 9 shareholders each holds a 10% share in Brunel Pension Partnership Ltd (Company number 10429110). As such, no fund is deemed to have a significant influence and this long-term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31 March 2023 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

Foreign Currency Transactions
Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction.

Investments held in foreign currencies are converted at the closing rates of exchange, as at the financial year-end date.

Cash and Cash Equivalents
Cash comprises cash in hand (Bank) and demand deposits (MMFs), which also includes amounts held by the custodian.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Additional Voluntary Contributions:
Cornwall Pension Fund provides an AVC scheme for its contributors, the assets of which are invested separately from Cornwall Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

The Fund has no involvement in the management of these assets and, for this reason, they are not included in Cornwall Pension Fund's financial statements in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 section 4(2)(b) but are disclosed as a note. Further details are provided in Note 17.

The Actuarial Present Value of Promised Retirement Benefits
The Actuarial Present Value of Promised Retirement Benefits is disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, Cornwall Pension Fund has included a note disclosing the actuarial present value of retirement benefits (Notes 14 and 15).

Under the Pension Fund Regulations, employers' contribution rates are set to enable the Fund to meet, eventually, 100% of its overall liabilities to pay benefits for both local authorities and other bodies (see Note 14).

Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

During the reporting period there were no prior period adjustments.

4. Critical Judgments in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary, following work which is carried out to ensure that they are the most appropriate for the Fund and these assumptions are explained in Notes 14 and 15. The Fund has accepted the actuary's assumptions as they were considered to be reasonable and have not sought any alternative proposals in regard to the assumptions. The estimate of the Fund liability is subject to significant variances based on changes to the underlying assumptions. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term yield/return.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These financial statements contain estimated figures that are based on assumptions and judgements made by our investment managers/actuary about the future, or that are otherwise uncertain. These estimates and assumptions affect the amounts reported for the assets and liabilities at balance sheet date and the amounts reported for revenues and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from the assumptions and estimates. It should be noted that the Fund does not produce any of these significant estimates, they all come from highly regulated professionally qualified providers.

The items in the Net Assets Statement at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming year, are as shown below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in the individual assumptions can be measured. A 0.1% decrease in the real discount rate assumption would increase the pension liability by £47m. A 0.1% rise in the salary increase rate would increase the liability by £4m. A 0.1% increase in assumed pension increase rate would increase the liability by £43m. A 1-year increase in assumed life expectancy would increase the liability by £103m. More details on the Actuary's assumptions and projections are shown in Notes 14 and 15.
Private Equities, Infrastructure, Property Limited Partnerships and Private Debt	These investments are not publicly listed and as such there is a degree of estimation involved in their valuation. See Note 11, Fair Value - Basis of Valuation for further detail	The total private equity, infrastructure, property limited partnerships and Private Debt investments in the financial statements are £408.675m. There is a risk that these investments may be under - or over - stated in the accounts due to estimation uncertainties. See Note 11 for further details.

6. Events after the Reporting Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

No material events have occurred.

7. Analysis of Total Contributions and Benefits

The total contributions receivable and benefits payable during the year ending 31 March 2023 were as shown below:

Contributions and Benefits	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2023 £m	2022 £m
Contributions Receivable						
Employers' normal	28.332	20.940	7.612	2.180	59.064	60.119
Employers' fixed deficit	11.474	4.477	0.185	0.740	16.876	16.972
From Employees (normal and additional)	10.522	6.933	1.990	0.721	20.166	18.868
Transfers In						
Individual transfers	4.892	1.228	0.085	0.010	6.215	5.332
Other Income	0.008	0.002	0.001	0.001	0.012	0.004
Total Income	**55.228**	**33.580**	**9.873**	**3.652**	**102.333**	**101.295**
Benefits Payable						
Pensions	(55.788)	(8.863)	(3.829)	(5.212)	(73.692)	(69.079)
Lump Sums	(6.823)	(2.450)	(1.654)	(1.011)	(11.938)	(14.466)
Death Benefits	(0.910)	(0.478)	(0.483)	(0.195)	(2.066)	(1.652)
Taxation where lifetime or annual allowance exceeded	(0.028)	(0.003)	(0.011)	-	(0.042)	(0.047)
Payments on Account of Leavers						
Refunds of Contributions	(0.084)	(0.096)	(0.023)	(0.005)	(0.208)	(0.232)
Transfers Out						
Individual transfers	(3.327)	(0.879)	(0.119)	(0.180)	(4.505)	(4.706)
Total Expenditure	**(66.960)**	**(12.769)**	**(6.119)**	**(6.603)**	**(92.451)**	**(90.182)**

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

8. Management Expenses

For the years ended 31 March, the analysis of management expenditure was as follows:

Management Expenses	**2023 £m**	**2022 £m**
Administrative Costs[1]	1.576	0.927
Investment Management Expenses		
Management Fees	12.511	12.543
Performance Fees	0.597	1.175
Transaction Costs[2]	5.518	1.930
Other Costs[3]	3.922	2.950
Custody Fees[4]	0.023	0.019
Oversight and Governance Costs	1.054	0.912
Total Investment and Administration Expenses	**25.201**	**20.456**

[1] Administrative Costs have increased in 2022-23, this is in line with the increased budget approved by the Pensions Committee designed to pro-actively future proof the service and build in sufficient capacity for a number of significant administration projects.

[2] Whilst management and performance fees have remained broadly flat in 2022-23, the Fund has seen an increase in transaction costs due to trading within the portfolio and the transitioning of assets to the Brunel Pension Partnership.

[3] Other Costs are investment management expenses incurred which do not fall into the other subheadings

[4] Custody Fees are the total of Custodian fees charged directly to the Fund

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the costs of investment acquisitions and in proceeds from the sales of investments (see Note 10).

Included in Oversight and Governance Costs is £0.043m for the year to 31 March 2023 (£0.038m for the year to 31 March 2022) which relates to the external audit of the Pension Fund accounts. There is also a charge included from the Scheme's external auditor, which relates to the provision of IAS19 assurances to Scheme employer auditors, which was £0.008m for the year to 31 March 2023 (£0.007m for the year to 31 March 2022), these are recharged to the relevant employer.

9. Investment Income

The income paid back to the Fund generated by the Fund's investments, net of tax, amounted to £18.235m. Other income is generated by the Fund's investments, but the holdings are invested in accumulation shares, which are held for capital growth. The income is held back and reflected in the unit price. Investment income for the year ended 31 March was received from the following sectors:

Investment Income	2023 £m	2022 £m
Overseas Equities[1]	0.388	-
Pooled Investment Vehicles		
Private equities, infrastructure and private debt	12.837	9.426
Pooled Property Funds	4.792	4.299
Unit Trust Bonds	-	0.387
Other	0.081	-
Gain on foreign currency transactions when trading	(1.121)	2.525
Interest on cash deposits	1.129	0.565
Other	0.313	0.040
Gross Investment Income	**18.419**	**17.242**
Irrecoverable Withholding Tax	(0.184)	(0.080)
Net Investment Income	**18.235**	**17.162**

[1] This income came from a temporary holding during the transition from Global Core Equities to the Global High Alpha Equity Fund

10. Investments

Investments	31 March 2023 £m	31 March 2022 £m	Notes
Long Term Investments			
Brunel Pension Partnership Ltd[1]	0.707	0.838	
Investment Assets			
Pooled Investments	2,142.884	2,128.463	
Pooled Property Investments	138.479	154.653	
Cash Deposits	45.486	53.035	13
Other Investment Balances	10.102	15.748	
Net Investment Assets	**2,337.658**	**2,352.737**	

[1] See Note 20 (Contingent Liability) for further information re the Brunel Pension Partnership long-term investment.

The following note shows the pooled investments split by asset class at 31 March 2023.

Investment Assets	31 March 2023 £m	31 March 2022 £m
Pooled Investments		
Multi Asset Credit	157.816	163.430
Equities	837.278	847.682
Diversified Growth Funds	189.996	251.491
Infrastructure Funds	235.672	168.522
Pooled Property Investments	138.479	154.653
Private Debt	109.554	78.116
Private Equity	61.678	60.699
Risk Management Framework	351.930	354.406
Unitised Insurance Fund	198.960	204.117
	2,281.363	**2,283.116**
Cash Deposits	45.486	53.035
Investment Income Due and tax receivable	0.102	0.026
Amounts Receivable from Sales	10.000	15.722
	55.588	**68.783**
Net Investment Assets of the Scheme as at 31 March	**2,336.951**	**2,351.899**

Financial statements

The following note shows the reconciliation of movements in investments for the year ending 31 March 2023.

	Value 1 April 2022 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2023 £m
Long Term Investments					
Brunel Pension Partnership Ltd	0.838	-	-	(0.131)	0.707
Investment Assets					
Pooled Investment Vehicles					
Pooled Equity Funds	847.682	221.759	(226.920)	(5.243)	837.278
Pooled Property Funds	154.653	35.309	(36.371)	(15.113)	138.479
Other Pooled Investments	1,280.781	185.387	(160.033)	(0.529)	1,305.606
	2,283.954	**442.455**	**(423.324)**	**(21.016)**	**2,282.070**
Other adjustments for revaluation	-			0.025	-
Cash Deposits	53.035				45.486
Other Investment Balances	15.748				10.102
Net Investment Assets	**2,352.737**			**(20.991)**	**2,337.658**

The comparative data for the previous year are as follows:

	Value 1 April 2021 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2022 £m
Long Term Investments					
Brunel Pension Partnership Ltd	0.768	-	-	0.070	0.838
Investment Assets					
Pooled Investment Vehicles					
Pooled Equity Funds	772.262	59.000	(17.220)	33.640	847.682
Pooled Property Funds	140.459	52.895	(63.205)	24.504	154.653
Other Pooled Investments	1,275.949	453.194	(523.122)	74.760	1,280.781
	2,189.438	**565.089**	**(603.547)**	**132.974**	**2,283.954**
Other adjustments for revaluation	-			(0.094)	-
Cash Deposits	21.850				53.035
Other Investment Balances	0.019				15.748
Net Investment Assets	**2,211.307**			**132.880**	**2,352.737**

Financial statements

The fund managers' portfolios were valued as follows:

Fund Manager	31 March 2023		31 March 2022	
	£m	% of Total	£m	% of Total
Investments managed by Brunel Ltd				
Brunel Core Global Equities[1]	-	0.0%	289.392	12.3%
Brunel Diversifying Returns Fund[2]	189.996	8.1%	173.978	7.4%
Brunel Emerging Market Equities	170.274	7.3%	179.508	7.6%
Brunel Global Sustainable Equities	319.165	13.7%	323.254	13.7%
Brunel Global High Alpha Equity[1]	321.115	13.7%	28.026	1.2%
Brunel Infrastructure Portfolio	100.656	4.3%	54.969	2.3%
Brunel Multi Asset Credit	157.816	6.8%	163.430	6.9%
Brunel Private Debt	50.050	2.1%	17.434	0.7%
Brunel Private Equities	19.807	0.8%	11.195	0.5%
Brunel Property	138.479	5.9%	154.653	6.6%
Brunel Risk Management Framework (BlackRock)	351.930	15.1%	354.406	15.1%
Brunel Local Impact Portfolio[3]	24.707	1.1%	-	0.0%
Brunel Smaller Companies Equities	26.724	1.1%	27.502	1.2%
Total Investments managed by Brunel Ltd	**1,870.719**	**80.0%**	**1,777.747**	**75.6%**
Investments managed outside of Brunel Pension Partnership				
Aberdeen Standard Investments (Private Equity)	3.870	0.2%	6.389	0.3%
Arcmont Asset Management (Private Debt)	24.120	1.0%	27.453	1.2%
Environmental Technology Fund (Private Equity)	0.064	0.0%	0.062	0.0%
Golub (Private Debt)	35.384	1.5%	33.228	1.4%
Federated Hermes (Infrastructure)	48.534	2.1%	58.444	2.5%
Infracapital Partners (Infrastructure)	61.775	2.6%	55.110	2.3%
Invesco Perpetual (Diversified Growth Fund)[2]	-	0.0%	77.513	3.3%
Wilshire Associates (Private Equity)	37.937	1.6%	43.053	1.8%
Legal & General Investment Management (Insurance Fund)	198.960	8.6%	204.117	8.7%
Total Investments managed by Cornwall Pension Fund	**410.644**	**17.6%**	**505.369**	**21.5%**
Total Investments with external managers	**2,281.363**	**97.6%**	**2,283.116**	**97.1%**
Accruals and Cash Deposits	55.588	2.4%	68.783	2.9%
Total Investment Assets	**2,336.951**	**100.0%**	**2,351.899**	**100%**

[1] During the 2022-23 financial year, the Fund's Brunel Core Global Equities holding was sold down and the proceeds were invested in the Brunel Global High Alpha Equity Fund.

[2] In line with LGPS pooling, during the 2022-23 financial year, the Fund's Invesco Perpetual holding was sold down and the proceeds were invested in the Brunel Diversifying Returns Fund

[3] During the 2022-23 financial year, the Fund made a new allocation to the Brunel Local Impact portfolio, the monies are currently invested in Listed Infrastructure assets while awaiting the fund managers drawing down capital commitments.

The following holdings each represent more than 5% of the net assets of the Fund:

	31 March 2023		31 March 2022	
	£m	% of Total	£m	% of Total
Brunel Risk Management Framework (BlackRock)	351.930	15.1%	354.406	15.1%
Brunel Global High Alpha Equity[1]	321.115	13.7%	28.026	1.2%
Brunel Global Sustainable Equities	319.165	13.7%	323.254	13.7%
Legal & General Investment Management (Insurance Fund Policy 37084)	198.960	8.6%	204.117	8.7%
Brunel Diversifying Returns Fund[2]	189.996	8.1%	173.978	7.4%
Brunel Emerging Market Equities	170.274	7.3%	179.508	7.6%
Brunel Multi Asset Credit	157.816	6.8%	163.430	6.9%
Brunel Property	138.479	5.9%	154.653	6.6%
Brunel Core Global Equities[1]	-	0.0%	289.392	12.3%

[1] During the 2022-23 financial year, the Fund's Brunel Core Global Equities holding was sold down and the proceeds were invested in the Brunel Global High Alpha Equity Fund.

[2] In line with LGPS pooling, during the 2022-23 financial year, the Fund's Invesco Perpetual holding was sold down and the proceeds were invested in the Brunel Diversifying Returns Fund

11. Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted, quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

  Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

- Level 2 – Inputs, other than quoted prices under Level 1, that are observable for the asset or liability, either directly or indirectly. For example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

- Level 3 – These are financial instruments where at least one input that could have a significant effect on the valuation is not based on observable market data.

Financial statements

Fair Value – Basis of Valuation

The basis of valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Diversified Growth Funds	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds	Not Required
Pooled Equity Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Multi Asset Credit	Level 2	Average of broker price feeds	Evaluated price feeds	Not Required
Risk Management Framework	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds, OTC Modelling and economics of Swap	Not Required
Property Unit Trusts (UK)	Level 2	Closing bid price where bid and offer prices are published	NAV-based pricing set on a forward pricing basis	Not Required
Insurance Policies	Level 2	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not Required
Listed Infrastructure	Level 2	Closing bid price where bid and offer prices are published	NAV-based pricing set on a forward pricing basis	Not Required
Private Debt	Level 3	Fair value derived from the amortised cost measurement	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, as the fund is exposed to credit risk, any asset determined to be uncollectible will need to be written off and by any differences between the audited and unaudited accounts.
Property Limited Partnerships	Level 3	Valued at fair value at the year-end using a number of different models that reflect the general partner's determination of assumptions and inputs that market participants might reasonably use in valuing the securities	NPV of projected cash flows, internally-generated pricing models utilising NAV methodologies, underlying property valuations, transactions observable in the marketplace and reported NAV as provided by the investee	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Infrastructure Funds	Level 3	Direct investments: Independent valuation performed using discounted cash flow methodology in accordance with international private equity valuation guidelines	Future free cash flows from underlying investments Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows.
Private Equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023 £m	Value on increase £m	Value on decrease £m
Private Debt	5	109.554	115.031	104.076
Property Limited Partnerships	10	26.478	29.126	23.830
Private Equities	15	61.678	70.930	52.426
Infrastructure Funds	10	210.965	232.062	189.869
Total		**408.675**	**447.149**	**370.201**

The comparative data for the previous year are as follows:

	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value on decrease £m
Private Debt	5	78.116	82.021	74.210
Property Limited Partnerships	10	19.615	21.577	17.654
Private Equities	15	60.699	69.803	51.594
Infrastructure Funds	10	168.522	185.375	151.670
Total		**326.952**	**358.776**	**295.128**

The following table sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31st March 2023:

Investment Assets as at 31 March 2023	Quoted Market Price **Level 1** **£m**	Using Observable Inputs **Level 2** **£m**	With Significant Unobservable Inputs **Level 3** **£m**	**Total** **£m**
Financial Assets at Fair Value Through Profit and Loss	-	1,872.688	408.675	**2,281.363**
Other Investment Assets	55.588	-	-	**55.588**
Total Investment Assets	**55.588**	**1,872.688**	**408.675**	**2,336.951**

The comparative table for 31st March 2022 is shown below:

Investment Assets as at 31 March 2022	Quoted Market Price **Level 1** **£m**	Using Observable Inputs **Level 2** **£m**	With Significant Unobservable Inputs **Level 3** **£m**	**Total** **£m**
Financial Assets at Fair Value Through Profit and Loss	-	1,956.164	326.952	**2,283.116**
Other Investment Assets	68.783	-	-	**68.783**
Total Investment Assets	**68.783**	**1,956.164**	**326.952**	**2,351.899**

Reconciliation of Fair Value Measurements within level 3

	Private Equities £m	Infrastructure Funds £m	Private Debt £m	Property Limited Partnerships £m	Total value £m
Market value April 2022	60.699	168.522	78.116	19.615	326.952
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	9.313	63.372	37.474	17.773	127.932
Sales during the year	(9.025)	(12.026)	(10.451)	(12.356)	(43.858)
Unrealised gains/losses	(3.809)	(14.011)	4.415	1.414	(11.991)
Realised gains/losses	4.500	5.108	-	0.032	9.640
Market value 31 March 2023	**61.678**	**210.965**	**109.554**	**26.478**	**408.675**

The comparative table for 31 March 2022 is shown below:

	Private Equities £m	Infrastructure Funds £m	Private Debt £m	Property Limited Partnerships £m	Total value £m
Market value April 2021	51.608	132.970	71.742	19.083	275.403
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	9.114	35.326	20.913	2.623	67.976
Sales during the year	(16.161)	(6.208)	(17.861)	(4.557)	(44.787)
Unrealised gains/losses	9.916	6.371	3.050	2.379	21.716
Realised gains/losses	6.222	0.063	0.272	0.087	6.644
Market value 31 March 2022	**60.699**	**168.522**	**78.116**	**19.615**	**326.952**

12. Financial Instruments

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.

Classification of Financial Instruments

Financial Assets	31 March 2023 £m	31 March 2022 £m
Fair value through profit or loss		
Pooled Investments	2,142.884	2,128.463
Pooled Property Investments	138.479	154.653
Long Term Investments	0.707	0.838
Assets at amortised cost		
Cash	47.186	54.120
Other investment balances	10.102	15.748
Debtors	10.000	15.027
Total Financial Assets	**2,349.358**	**2,368.849**
Financial Liabilities		
Measured at amortised cost		
Creditors	(4.530)	(5.946)
Total Financial Liabilities	**(4.530)**	**(5.946)**
Grand Total	**2,344.828**	**2,362.903**

Net Gains and Losses on Financial Instruments

Financial Assets	31 March 2023 £m	31 March 2022 £m
Fair Value Through Profit and Loss	(20.991)	132.880
Loans and Receivables	-	-
Total	**(20.991)**	**132.880**

13. Nature and Extent of Risks Arising from Financial Instruments

The Cornwall Council Pension Fund's objective is to generate positive investment returns for a given level of risk. Therefore, the Fund holds financial instruments such as equities, bonds, and cash and cash equivalents in a number of different investment vehicles. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and foreign currency risk.

The Fund's investments are managed on behalf of the Fund by the appointed fund managers. Each fund manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Pensions Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Bank and Trust Company, who act as custodian on behalf of the Fund, or with the custodian appointed by the pooled investment vehicle.

Because the Fund adopts a long-term investment strategy, the high-level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments, to all of these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and fund managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee. The Fund also has a Risk Management Framework in place, which provides the Fund with a level of equity protection (to protect from significant equity market falls) and it also provides the Fund with a level of currency hedging on its equities.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general e.g. Geopolitical trade tensions.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital; the maximum risk being determined by the fair value of the financial instruments. The fund managers mitigate this risk through diversification, in line with their own investment strategies and mandate guidelines.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced in each asset class on a three-year average basis, as observed and provided by PIRC during the year to 31 March 2023. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Financial statements

Movements in market prices would have increased or decreased the net assets, at 31st March 2023, by the amounts shown below:

As at 31 March 2023	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	837.278	13.26%	948.286	726.270
Property	138.479	6.35%	147.268	129.690
Bonds	157.816	6.34%	167.815	147.816
Other pooled investment vehicles and private equities	957.794	3.17%	988.160	927.428
Diversified Growth Fund	189.996	6.76%	202.832	177.160
Total [1]	**2,281.363**	**5.25%**	**2,401.122**	**2,161.603**

[1] The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

As at 31 March 2022	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	847.682	12.75%	955.767	739.598
Property	154.653	3.30%	159.763	149.543
Bonds	163.430	7.88%	176.308	150.551
Other pooled investment vehicles and private equities	865.860	3.73%	898.140	833.580
Diversified Growth Fund	251.491	9.17%	274.554	228.427
Total	**2,283.116**	**7.53%**	**2,455.045**	**2,111.187**

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables remain constant and shows the effect of a +/- 1% change in interest rates.

Interest Rate Risk as at 31 March 2023	Value £m	Potential movement 1% change in interest rates £m	Value on Interest Rate Decrease £m	Value on Interest Rate Increase £m
Risk Management Framework	351.930	0.976	352.906	350.954
Brunel Multi Asset Credit	157.816	3.646	161.462	154.170
Total	**509.746**	**4.622**	**514.368**	**505.124**

The comparative data for the previous year are as follows:

Interest Rate Risk as at 31 March 2022	Value £m	Potential movement 1% change in interest rates £m	Value on Interest Rate Decrease £m	Value on Interest Rate Increase £m
Risk Management Framework[1]	354.406	1.149	355.556	353.257
Brunel Multi Asset Credit[2]	163.430	3.677	167.107	159.753
Total	**517.836**	**4.826**	**522.663**	**513.010**

[1] The make-up of the Risk Management Framework has changed this year, such that it is subject to very little interest rate risk

[2] The Fund invested in the Brunel Multi Asset Credit portfolio during 2021-22

Foreign Currency Risk Comparators
Foreign currency risk represents the risk that the fair value of financial instruments when expressed in sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than sterling. For a sterling-based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

Foreign Currency Risk - Sensitivity Analysis
The following table analyses the Fund's currency exposure as at 31st March 2023 as observed and provided by PIRC. PIRC analysed historical data and considered the potential volatility associated with foreign exchange rate movements to be 8.18% (as measured by one standard deviation).

The below table reports foreign currency sensitivity only for the pooled funds denominated in a currency other than sterling, for the pooled funds which are denominated in sterling at the 31 March 2023, the Fund is of the opinion that these represent a fair valuation of the pooled funds in sterling, when taken in conjunction with the market price risk sensitivity analysis.

The pooled funds denominated in sterling will on a day-to-day basis be subject to foreign currency risk (due to underlying holdings in other markets), which is taken into account with the sterling unit pricing of these pooled funds as at 31 March 2023. The managers of the pooled funds have the ability to manage this exposure by using forward exchange contracts or hedging the sterling value of investments that are priced in other currencies, if they deem this risk material. The Fund also has a Risk Management Framework in place, which provides the Fund with a level of currency hedging on its underlying equities holdings in other currencies.

The analysis assumes that all other variables, in particular interest rates, remain constant:

Overseas Assets as at 31 March 2023	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Cash	0.014	8.18%	0.016	0.013
Property	0.314	8.18%	0.340	0.288
Alternatives	113.643	8.18%	122.935	104.351
Total	**113.971**	**8.18%**	**123.291**	**104.652**

The comparative data for the previous year are as follows:

Overseas Assets as at 31 March 2022	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Cash	3.967	7.72%	4.273	3.661
Property	5.575	7.72%	6.005	5.145
Alternatives	108.483	7.72%	116.853	100.113
Total	**118.025**	**7.72%**	**127.131**	**108.919**

Credit Risk
Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties (including brokers, custodian and investment managers) minimises the credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the Custodian may affect the Fund's access to its assets. However, all assets held by the Custodian are ring-fenced as client assets and therefore cannot be claimed by creditors of the Custodian. The Fund manages its risk by monitoring the credit quality and financial position of the Custodian.

The Fund does not hold any fixed interest securities directly and the manager of the Multi-Asset Credit funds is responsible for managing credit risk.
The market prices of the bonds incorporate an assessment of credit quality in their valuation, which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed in line with Cornwall Pension Fund's Cash Management Strategy. The Fund invests surplus cash with the Custodian in diversified, money market funds.

(See table below for breakdown of this).

Liquidity Risk

Cash and cash equivalents	Rating	At 31 March 2023 £m	At 31 March 2022 £m
Money Market Funds			
Aberdeen Standard Liquidity Fund	AAA	18.698	16.331
State Street Global Advisors (SSGA)	AAA	26.421	26.154
Bank			
Natwest Plc	A+	1.700	1.085
State Street Bank & Trust Company	AA-	0.367	10.550
Total cash and cash equivalents		**47.186**	**54.120**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. A substantial portion of the Fund's investments consist of readily realisable securities (e.g. equities and bonds). However, the main liability of the Fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. Therefore, the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet cashflow requirements.

The majority of the Fund's invested assets could be realised within a three-month period. The exceptions to this would be private equities, infrastructure, private debt, and property limited partnerships. At 31 March 2023, these amounted to £408.675m, which represented 17.5% of the Fund's investment assets (at 31st March 2022, these amounted to £326.952m, which represented 13.9% of the Fund's investment assets).

14. Actuarial Statement for 2022-23

(This note has been prepared by the Fund's Actuary, Hymans Robertson)

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy;
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations;
- manage the Fund in line with the stated Environmental, Social and Governance (ESG) policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £2,363 million, were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £100 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

The below table shows the funding level has changed between valuations. There has been a reduction in the funding deficit from £207m to £100m, with the investments having returned 20.3% over the 3-year period compared with the expected returns of 12.8%.

Valuation Date	31 March 2019	31 March 2022
Past Service Liabilities	(£m)	(£m)
Employees	717	774
Deferred Pensioners	447	552
Pensioners	970	1,137
Total Liabilities	**2,133**	**2,463**
Assets	**1,926**	**2,363**
Surplus / (Deficit)	**(207)**	**(100)**
Funding Level	**90%**	**96%**

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
	% p.a.
Discount rate	4.4%
Salary increase assumption	2.7%
Benefit increase assumption CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.3 years
Future Pensioners[1]	22.4 years	25.8 years

[1] Aged 45 at the 2022 valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Julie West FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
12 May 2023

15. Actuarial present value of Promised Retirement Benefits

(This note was prepared by the Fund's Actuary, Hymans Robertson)

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Cornwall Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Cornwall Pension Fund, which is in the remainder of this note.

Financial statements

Present value of promised retirement benefits

Year ended	31 March 2023 £m	31 March 2022 £m
Active members	867	1,344
Deferred members	572	931
Pensioners	1,147	1,379
Present value of Promised Retirement Benefits	**2,586**	**3,654**

The promised retirement benefits at 31st March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £1,389m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £23m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2023 % p.a.	31 March 2022 % p.a.
Pensions Increase Rate	2.95%	3.20%
Salary Increase Rate	2.95%	3.20%
Discount Rate	4.75%	2.70%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	21.7 years	24.5 years
Future Pensioners [1]	22.8 years	26.3 years

[1] Aged 45 at the 2019 valuation

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Julie West FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
12 May 2023

16. Current Assets and Liabilities

	31 March 2023 £m	31 March 2022 £m
Current Assets		
Administration income receivable	0.202	0.212
Employees Contributions receivable	2.046	2.112
Employers Contributions receivable	5.603	5.893
Pension strain income receivable[1]	0.007	4.175
Cash Balances	1.700	1.085
Total Current Assets	**9.558**	**13.477**
Current Liabilities		
Administration expenses payable	(3.973)	(3.321)
Pension lump sums payable	(0.557)	(2.625)
Total Current Liabilities	**(4.530)**	**(5.946)**
Total Current Assets and Liabilities	**5.028**	**7.531**

[1] Pension strain income receivable was higher in 2021-22 due to the large number of Cornwall Council redundancies in the Our Shape voluntary redundancy program

Long Term Debtors

	31 March 2023 £m	31 March 2022 £m
Long Term Debtors		
Reimbursement of Lifetime Allowance Tax Charges	0.231	0.244
Cessation Payment Due	1.911	2.391
Total Long Term Debtors	**2.142**	**2.635**

17. Additional Voluntary Contributions (AVC)

AVC Scheme	Value at 31 March 2023 £m	Value at 31 March 2022 £m
Standard Life	2.443	2.440
Utmost	0.274	0.329
Total	**2.717**	**2.769**
Changes During the Year		
Contributions	0.394	0.340
Paid Out	(0.383)	(0.538)
Change in Market Value	(0.063)	0.110

18. Related Party Transactions

Cornwall Council is the Administering Authority of the Fund. The majority of investments are managed by external fund managers, although during the year a small proportion was held as cash and controlled in nominated money market accounts for cash flow management purposes, see Note 13 for details. Transactions with the Fund in respect of employees in the Scheme are shown in Note 7.

Included in Management Expenses (see Note 8) are charges amounting to £1.982m incurred for the internal costs of providing these services during the year to 31 March 2023 (£1.271m for the year to 31 March 2022). For the year to 31 March 2023 this is composed of £1.576m Administrative Costs, £0.395m Oversight and Governance Costs and £0.011m of Oversight and Governance Costs which was recharged to the 9 other Administering Authorities in the Brunel Pension Partnership, as the Fund provides administration services to the Partnership. This was £0.927m Administrative Costs and £0.344m Oversight and Governance Costs for the year to 31 March 2022.

Senior officers of the Pension Fund are members of the Fund as employee contributors. In terms of the Pensions Committee, following the local elections in May 2017, Cornwall Council Councillors are no longer eligible for active membership of the Pension Fund however, as at 31 March 2023, both Employee Representatives on the Pensions Committee were pensioners of the Fund and one Councillor (through another role), and one Employer Representative were active members of the Fund.

The Council made payments to each Cornwall Council elected Member serving on the Pensions Committee, in accordance with the Council's Member's Allowances Scheme. These payments were met by Cornwall Council and declared in their statutory accounts.

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (Brunel) was formed on the 14th of October 2016 and will oversee the investment of pension fund assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Cornwall Council, own 10% of Brunel. For the year ended 31 March 2023, Brunel's service charge to the Cornwall Pension Fund totalled £1.042m (£1.059m for the year to 31 March 2022).

Key Management Personnel

The key management personnel of the Fund are the Section 151 Officer, the Head of Pensions, Treasury & Technical and the Pensions Committee. The table below shows the benefits they receive. This is not the total remuneration these posts receive, but is a notional amount based on their time allocated to the Fund.

Year ended	2023 £m	2022 £m
Short-term benefits	0.080	0.064
Post-employment benefits	0.009	0.006
Total	**0.089**	**0.070**

19. Contractual Commitments and Contingent Liabilities

Outstanding capital commitments (investments) at the prevailing exchange rate on the day at 31 March 2023 were £420.120m (£551.228m at 31 March 2022). This has decreased, as commitments have been called by the Fund Managers.

These commitments relate to outstanding call payments due to the Fund's limited partnerships for private equities, private debt, infrastructure, property and the social impact portfolio. The amounts called by these limited partnerships are irregular in both size and timing, they are typically called over a period of between four and six years from the date of each original commitment.

28 admitted body employer contracts in the Cornwall Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2022/23 or 2021/22.

20. Contingent Asset

Cornwall Pension Fund has ongoing claims against some European countries for tax withheld on foreign dividends. KPMG, who submitted these claims in 2007, are still pursuing these claims on behalf of the Fund.

These claims are made on the basis that, within the European Union, all member states should enjoy the same tax status. Resident investors should not be classed differently to non-residents. Court cases such as those known as 'Fokus' have added to the strength of the arguments. The value of these claims is in excess of £250,000.

No accruals have been included in the accounts for these tax claims because outcomes are uncertain.

Contingent Liability

The staff at Brunel Ltd (of which Cornwall Council is a 1/10th shareholder) have access to the Local Government Pension Scheme (LGPS), which comes with a pension obligation risk. As Brunel is a Markets in Financial Instruments Directive ("MiFID") regulated firm, it is required to hold regulatory capital for this risk. This is because it is identified in the MIFIDPRU Prudential sourcebook, under the provision MIFIDPRU 4.3 (Own funds requirement) as a source of risk for which firms must assess and maintain, on an ongoing basis, the capital resources that are considered adequate to mitigate these risks. If this pension obligation risk were to increase, then any additional capital, would have to be called from the shareholders as and when required.

In September 2020, the Brunel shareholders entered into a Pension Cost Recharge Agreement (PRA), which was deemed a more capital efficient way to deal with this pension obligation risk. It provides assurance that the shareholders will reimburse any LGPS pension related cashflows, including reimbursement of contributions and exit payments, as and when required, which mitigates the requirement for Brunel to hold regulatory capital for this risk.

The value of the Pension Cost Recharge Agreement from Brunel's 2022 Financial Statements is £0.102m (£7.676m in 2021), Cornwall Pension Fund's share of this is £0.010m (£0.768m in 2021) however, the actual amount payable and date of any cash flows would need to take into account returns on assets which are inherently uncertain and a range of actuarial considerations. Brunel will be reimbursed through separate one-off invoices prior to any exit payments or additional employer pension contribution payments. This is not deemed to be material and is disclosed here for transparency.

Funding Strategy Statement December 2022

1 Introduction

This document sets out the Funding Strategy Statement (FSS) for Cornwall Pension Fund.

The Cornwall Pension Fund is administered by Cornwall Council, known as the administering authority. Cornwall Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for Cornwall Council to prepare a FSS. You can find out more about the regulatory framework in Appendix A.
If you have any queries about the FSS, contact pensions@cornwall.gov.uk

1.1 What is the Cornwall Pension Fund?

The Cornwall Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution
- rates reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies
Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as community admission bodies (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called transferee admission bodies (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy here.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Cornwall Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- the primary contribution rate – contributions payable towards future benefits
- the secondary contribution rate – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses. The primary rate will always be set as a percentage of pay. The secondary rate may be set as a percentage of pay or as a monetary amount.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- the funding target – how much money the fund aims to hold for each employer
- the time horizon – the time over which the employer aims to achieve the funding target
- the likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

A definition of the funding targets used can be found in Appendix D. Table 1 defines the parameters that will apply for the contribution rate calculation for different types of employers.

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			Admission bodies		Town and Parish Councils
Sub-type	Scheduled bodies	Colleges & universities	Academies	Employer has a guarantor[1]	Employer does not have a guarantor	(all)
Funding target	Ongoing	Ongoing	Ongoing	Ongoing	Low-risk exit (90% LoS)[2]	Ongoing
Likelihood of meeting funding target	A minimum of 70%	A minimum of 75%	Between 66% and 80%	75%	A minimum of 50%[3]	Between 66% and 80%
(Likelihood of success)			Calculated at 70% if outside of this range			Calculated at 70% if outside of this range
Maximum time horizon	20 years	20 years but reducing to 17 years where payroll is falling	20 years	20 years if in surplus Average future working lifetime otherwise	Average future working lifetime	20 years
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
How is stability of contributions achieved?	See section 2.2	N/A	See section 2.2	N/A	N/A	See section 2.2
Treatment of surplus	Covered by approach to setting stable contributions	Retain current rate in payment where payroll is reducing (if calculated rate is lower)	Covered by approach to setting stable contributions	Reductions to contributions may be permitted by the administering authority. For employers with a guarantor, contributions will be set as the minimum of the current contribution rate and the calculated primary rate		Covered by approach to setting stable contributions

1 Where an employer has a pass-through arrangement the primary contribution rate will be calculated with a 90% likelihood of success unless otherwise agreed with the awarding authority

2 There is a 90% likelihood of having sufficient assets to meet future benefits within the low-risk exit funding target

3 The funding target for these employers is the low-exit exit basis, which is more prudent than the ongoing basis. The likelihood of success is lower than for other employers as a higher level of prudence is built into the funding target.

2.2 Making contribution rates stable
Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. This is achieved through a number of methods:

- Setting a stabilised contribution strategy
- Phasing in any employer increases or decreases
- Testing if the current contribution rate meets a minimum likelihood of success.

A stabilised contribution rate strategy is adopted for the following employers:

- Cornwall Council
- Council of the Isles of Scilly
- Tamar Bridge and Torpoint Ferry

Contributions move each year with a maximum of 0.5% of pay. Contributions will increase if the current rate in payment has less than a 70% likelihood of success of meeting the funding target after 20 years. After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

For all other Scheduled Bodies, their contribution rate is calculated in line with the parameters in Table 1.

For academies or Town and Parish Councils, the likelihood of success of the current rate in payment is tested at each valuation. If the likelihood of success of the current rate is less than 66% or greater than 80%, the contribution rate will be recalculated to meet a 70% likelihood. Any changes in contribution rates will be phased in over three years.

The Administering Authority may use its discretion when setting rates to reflect particular circumstances of an employer.

2.3 Reviewing contributions between valuations
The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy on contribution reviews is available here. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.4 What is pooling?
The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

If an employer leaves the fund, their assets and liabilities will remain in the pool.

2.5 What are the current contribution pools?

- Minor employers pool – sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service. This pool includes any Town or Parish Councils with less than 20 active members.
- Non-academy schools – pooled with Cornwall Council
- Ceased employers - these are pooled with the awarding authority (where relevant) or with another employer providing a guarantee

2.6 Administering authority discretion
Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds
If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Major Employing bodies	- up to 3 years
Community Admission Bodies and Designating Employers	- up to 3 years
Academies	- up to 3 years
Transferee Admission Bodies	- payable immediately

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, a funding strain will arise due to early payment of benefits and the cost of additional pension being paid for prospective service. The funding strain may be a significant sum and will be reflected as an additional liability at future valuations.

The Fund does not carry out any monitoring of ill-health experience. In the event of a large funding strain arising, an employer may be asked to pay additional contributions at the next formal valuation to meet this cost.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a resolution to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The contribution rate payable on joining will depend on the circumstances:

- If the academy is not joining a multi-academy trust ("MAT"), a rate will be calculated for the single academy, based on their own transferring membership
- If the academy is joining an existing MAT, the Fund may revise the rate payable for the MAT
- If the academy is joining a new MAT, the contribution rate payable will be set equal to the average academy rate across the fund, as calculated at the last formal valuation. The rate will then be revised at the next formal valuation.

All contribution rate calculations will be based on the current funding strategy (set out in section 2).

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy on pass through is available here.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens when an employer leaves the fund?

6.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction

- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

6.2 What happens on cessation?
The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the assets and liabilities will revert to the guarantor on cessation, the cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund (usually the ongoing basis).

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between an employer and the fund.

The cessation policy is available here

6.3 What happens if there is a surplus?
If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

Full details can be found in the cessation policy available here.

6.4 How do employers repay cessation debts?
If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid.

Payments are reassessed at each formal valuation.

Full details can be found in the cessation policy available here.

6.5 What if an employer has no active members?
When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond the DDA/DSA they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis based on liabilities at the formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers based on a pro-rated share of liabilities.

6.6 Are bulk transfers allowed?
Cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What are the statutory reporting requirements?

7.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

7.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

7.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial basis does not offer straightforward comparisons.

Appendix A – Regulatory framework

A1 Why do funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain as nearly constant employer contribution rates as possible
- ensure the fund meets its solvency and long-term cost efficiency objectives
- take a prudent longer-term view of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and the most recent CIPFA guidance state that the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers'.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) There was an Annual Employers Meeting on 28 November 2022 where the funding strategies for employers and the FSS were discussed and questions on the matter could be raised and answered;
b) A draft version of the FSS was taken to the Pensions Committee on 8 December 2022 and subsequently issued to all participating employers for comment, following its approval by the Committee to go out for consultation;
c) Comments were requested by 31 January 2023;
d) Following the end of the consultation period, the FSS was updated where required and formally approved by the Pensions Committee at its meeting on the 16 March 2023. It was then published by the 31 March 2023.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website at www.cornwallpensionfund.org.uk
- A copy sent by email to each participating employer in the Fund
- A full copy included in the fund's Annual Report
- A copy is sent to employer representatives of the Pensions Committee and Pension Board
- Copies made available upon request.

The FSS is published at the following location: Regulatory Statements - Cornwall Council

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the Investment Strategy Statement, Governance Policy Statement and Communication Policy Statement. The fund's Annual Report also includes up-to-date fund information.

You can see all fund documentation at Regulatory Statements - Cornwall Council

Appendix B – Roles and responsibilities

B1 The administering authority:

1. operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
2. manages any conflicts of interest from its dual role as administering authority and a fund employer
3. collects employer and employee contributions, investment income and other amounts due
4. ensures cash is available to meet benefit payments when due
5. pays all benefits and entitlements
6. invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
7. communicates with employers so they understand their obligations
8. safeguards the fund against employer default
9. works with the fund actuary to manage the valuation process
10. provides information to the Government Actuary's Department so they can carry out their statutory obligations
11. consults on, prepares and maintains the funding and investment strategy statements
12. tells the actuary about changes which could affect funding
13. monitors the fund's performance and funding, amending the strategy statements as necessary
14. enables the local pension board to review the valuation process.

B2 Individual employers:

1. deduct the correct contributions from employees' pay
2. pay all contributions by the due date
3. have appropriate policies in place to work within the regulatory framework
4. make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
5. tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
6. make any required exit payments when leaving the fund.

B3 The fund actuary:

1. prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
2. provides information to the Government Actuary Department so they can carry out their statutory obligations
3. advises on fund employers, including giving advice about and monitoring bonds or other security
4. prepares advice and calculations around bulk transfers and individual benefits
5. assists the administering authority to consider changes to employer contributions between formal valuations
6. advises on terminating employers' participation in the fund
7. fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
3. auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. governance advisers may be asked to advise the administering authority on processes and working methods
5. internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The Fund's Risk Management Policy can be found here: Risk Management Policy

The Risk Register is reviewed quarterly by both the Pensions Committee and the Pension Board. It can be found in the Pensions Committee Part 1 – Governance Update paper: Pensions Committee Papers

C2 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Fire	Tax-raising or government-backed, no individual assessment required	n/a
Colleges & Universities	Covenant assessment carried out by a covenant specialist	Monitored annually
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	Covenant assessment carried out by a covenant specialist	Monitored annually
Designating employers	Covenant assessment carried out by a covenant specialist	Monitored annually

C3 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has carried out modelling of climate scenarios to test the robustness of the funding strategy. The Fund's policy on responsible investment and Task Force on Climate-related Financial Disclosures (TCFD) report can be found here.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefits to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund does not rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon. The assumptions at 31 March 2022 can be found here. These assumptions are calibrated and updated monthly.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding target.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.1%
Low-risk exit basis	Community admission bodies closed to new entrants	0.6%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.4% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 70% likelihood that the fund's assets will achieve this level of future investment returns over the 20 years following the 2022 valuation date.

The discount rate will be determined at each calculation date in line with the same methodology and will reflect the assumptions from the latest calibration of the ESS.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is derived as the median value of CPI based on the ESS. The median value of CPI inflation from the ESS was 2.7% p.a. on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI p.a. plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% p.a. applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recent mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	60% of maximum tax-free cash
50:50 option	1.0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.12	227.37	252.63	0.00	0.00	0.00	0.00
25	117	0.12	152.99	169.97	0.10	0.07	0.02	0.01
30	131	0.18	128.25	142.46	0.13	0.10	0.03	0.02
35	144	0.30	110.69	122.91	0.26	0.19	0.05	0.04
40	150	0.48	92.12	102.26	0.39	0.29	0.03	0.02
45	155	0.56	85.12	125.58	0.55	0.45	0.04	0.02
50	160	0.59	47.69	144.36	0.45	0.78	0.01	0.03
55	163	0.61	265.23	145.20	0.69	0.48	0.05	0.03
60	170	0.68	185.63	147.36	0.87	0.96	0.02	0.01

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.12	227.37	252.63	0.00	0.00	0.00	0.00
25	117	0.12	152.99	169.97	0.10	0.07	0.02	0.01
30	131	0.18	128.25	142.46	0.13	0.10	0.03	0.02
35	144	0.30	110.69	122.91	0.26	0.19	0.05	0.04
40	150	0.48	92.12	102.26	0.39	0.29	0.03	0.02
45	155	0.56	85.12	125.58	0.55	0.45	0.04	0.02
50	160	0.59	47.69	144.36	0.45	0.78	0.01	0.03
55	163	0.61	265.23	145.20	0.69	0.48	0.05	0.03
60	170	0.68	185.63	147.36	0.87	0.96	0.02	0.01

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

The discount rate is based on the level of investment returns that has a 90% likelihood that the fund's assets will achieve this level of future investment returns over the 20 years following the 2022 valuation date. At 31 March 2022, this discount rate is 2.6% p.a.

The CPI assumption is based on the median value of CPI from Hymans Robertson's ESS model.

Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% p.a. is assumed.

Contractor exit basis

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the fund.

Statement to the rates and adjustments certificate

The Common Rate of Contribution payable by each employing authority for the period 1 April 2022 to 31 March 2023 is 19.1% of pensionable pay plus £16,585 million.

Individual adjustments are required under Regulation 62(5) and 62(7) of the Local Government Pension Scheme Regulations 2013. Accordingly, minimum total contribution rates for the period 1 April 2022 to 31 March 2023 are set out in the following table:

Employer	Minimum contribution for the year ended 31 Mar 2023
Major scheduled and resolution bodies	
Cornwall Council (Non School Staff)	17.5% plus £11,474.4k
Cornwall Council (School Staff)	21.8%
Cornwall Airport Ltd	26.8%
Cornwall Housing Ltd	25.0%
Cornwall Sea Fisheries	18.0% plus £28.2k
Council of the Isles of Scilly	17.6% plus £259.2k
Cormac Solutions Ltd	28.7%
Tamar Bridge & Torpoint Ferry	20.0% plus £163.9k
CORSERV	20.7%
CORSERV Care Ltd	37.1%
CORSERV Facilities	31.6%
Town and Parish Councils	
Bodmin Town Council	18.7% plus £24.2k
Falmouth Town Council	18.7% plus £10.8k
Penzance Town Council	18.7% plus £13.5k
Truro City Council	18.7% plus £24.5k
Minor Employer Pools	
Bude Stratton Town Council	18.7% plus £10.2k
Boyton Parish Council	18.7%
Callington Town Council	18.7% plus £3.8k

Employer	Minimum contribution for the year ended 31 Mar 2023
Calstock Parish Council	18.7% plus £1.7k
Camborne Town Council	18.7% plus £6.2k
Camelford Town Council	18.7% plus £1.3k
Carlyon Parish Council	18.7% plus £0.3k
Delabole Parish Council	18.7%
Deviock Parish Council	18.7%
Feock Parish Council	18.7% plus £1.1k
Grade Ruan Parish Council	18.7% plus £0.2k
Gwinear Gwithian Parish Council	18.7% plus £0.9k
Hayle Town Council	18.7% plus £2.8k
Helston Town Council	18.7% plus £7.2k
Lanivet Parish Council	18.7% plus £0.2k
Landulph Parish Council	18.7%
Launceston Town Council	18.7% plus £9k
Linkinhorne Parish Council	18.7% plus £0.2k
Liskeard Town Council	18.7% plus £6.1k
Lostwithiel Town Council	18.7% plus £0.9k
Manaccan Parish Council	18.7% plus £0.1k
Marhamchurch Parish Council	18.7%
Mawgan in Meneage Parish Council	18.7% plus £0.2k
Newquay Town Council	18.7% plus £9.4k
North Petherwin Parish Council	18.7%
Padstow Town Council	18.7% plus £7.3k
Penryn Town Council	18.7% plus £3.2k
Perranzabuloe Parish Council	18.7% plus £1.1k
Ponsanooth Parish Council	18.7%
Redruth Town Council	18.7% plus £6.3k
Roche Parish Council	18.7% plus £1.3k
Saltash Town Council	18.7% plus £5.3k
Sithney Parish Council	18.7% plus £0.2k
St Agnes Parish Council	18.7% plus £1.5k
St Austell Bay Parish Council	18.7% plus £0.6k
St Austell Town Council	18.7% plus £3.5k
St Blaise Town Council	18.7% plus £0.9k
St Clement Parish Council	18.7%

Employer	Minimum contribution for the year ended 31 Mar 2023
St Columb Major Town Council	18.7% plus £0.3k
St Ives Town Council	18.7% plus £6k
St Just in Roseland Parish Council	18.7%
St Just-In-Penwith Town Council	18.7% plus £1.2k
St Keverne Parish Council	18.7% plus £0.2k
St Martin in Meneage Parish Council	18.7%
St Minver Highlands Parish Council	18.7% plus £0.2k
St Neot Parish Council	18.7%
St Sampson Parish Council	18.7%
Torpoint Town Council	18.7% plus £2.6k
Wadebridge Town Council	18.7% plus £7.4k
Week St Mary Parish Council	18.7%
Colleges	
Cornwall College	19.3% plus £744.1k
Falmouth University	18.1% plus £376k
Truro & Penwith College	18.4% plus £240k
Academies	
An Daras Multi-Academy Trust	17.3% plus £46.7k
Archbishop Benson School	18.1% plus £21.3k
Aspire Academy Trust	16.8% plus £320.5k
Bodmin College Academy	17.2% plus £69k
Bridge Multi-Academy Trust	17.0% plus £138k
Callywith College	16.7% plus £20k
Camborne Science and International Academy	16.1% plus £58.2k
Cornwall Education Learning Trust (CELT)	16.7% plus £347.3k
Crofty Academy	19.2% plus £27.2k
Duchy Academy Trust	17.1% plus £20.6k
Harrowbarrow School	17.7% plus £4.3k
Kernow Learning MAT	17.2% plus £211k
Athena Learning Trust	16.9% plus £102.5k
Leading Edge Academies Partnership (LEAP)	17.0% plus £85.9k
Learning Academy Partnership South West (LAP SW)	22.0%

Employer	Minimum contribution for the year ended 31 Mar 2023
North Cornwall Learning Trust	18.8% plus £18k
Penair School	16.7% plus £56.7k
Penryn College	16.3% plus £53.1k
Plymouth Cast	17.0% plus £40.9k
Pool Academy	16.9% plus £36.5k
Rainbow Multi-Academy Trust	16.7% plus £45.4k
Roseland Multi-Academy Trust	17.1% plus £60.7k
Sir Robert Geffery's School	17.8% plus £11.2k
South East Cornwall Mart (SMART)	17.8% plus £148.1k
Special Partnership Multi Academy Trust	16.4% plus £283.2k
St Barnabas Multi-Academy Trust	17.0% plus £46.1k
Trewirgie Junior School	16.9% plus £18.1k
Truro & Penwith Academy Trust	17.1% plus £243.7k
Venture MAT	16.2% plus £17.2k
Wadebridge Secondary School	16.7% plus £63.9k
Wave MAT	16.6% plus £60.2k
Westcountry Schools Trust	17.4% plus £73.7k
Admitted Bodies	
Aspens Services Ltd (399) Aspire Academy	27.9%
Aspens Services Ltd (379) Aspire St Uny	31.2%
Aspens Services Ltd (350) Bodmin College	37.7%
Aspens Services Ltd (386) Penpol School	33.4%
Biffa	0.0%
CAPH	31.9%
Caterlink (360) St Day & Treleigh	30.0%
Caterlink (363) Bridge	36.7%
Caterlink (381) Truro & Penwith College	34.4%
Caterlink (388) Nanpean	30.0%
Churchill Contract Services (248) Contract	0.0%
Churchill Contract Services (297) Cormac	0.0%
Churchill Contract Services (319) Truro College	25.4%
Churchill Contract Services (335) Trevithick	7.9%
Churchill Contract Services (345) St Merryn	16.4%

Employer	Minimum contribution for the year ended 31 Mar 2023
Churchill Contract Services (356) ACE Academy	35.1%
Churchill Contract Services (389) Trevisker	32.1%
Churchill Contract Services (392) TPAT Alverton, Cape, St Ives & St Just	38.4%
Churchill Contract Services (393) SMART	38.0%
Churchill Contract Services (396) Celtic Cross	28.0%
Churchill Contract Services (408) CELT	23.2%
Churchill Contract Services (410) TPAT Bodriggy & Pensans	20.3%
Churchill Contract Services (412) Gulval	26.2%
Churchill Contract Services (425) Roseland	28.0%
Cleverchefs	19.4%
Compass Contract Services (UK) Ltd (324)	31.8%
Compass Contract Services (UK) Ltd (347)	25.0%
Compass Contract Services (UK) Ltd (364)	32.4%
Compass Contract Services (UK) Ltd (367)	33.8%
Compass Contract Services (UK) Ltd (368)	34.0%
Compass Contract Services (UK) Ltd (384)	28.2%
Compass Contract Services (UK) Ltd (387)	32.2%
Compass Contract Services (UK) Ltd (390)	33.4%
Compass Contract Services (UK) Ltd (394)	28.4%
Compass Contract Services (UK) Ltd (395)	30.2%
Compass Contract Services (UK) Ltd (401)	28.4%
Compass Contract Services (UK) Ltd (402)	29.5%
Compass Contract Services (UK) Ltd (411)	28.4%
Compass Contract Services (UK) Ltd (421)	23.4%
CSW Group Ltd	17.4% plus £526.7k
Expedite Cleaning	17.0%
Falmouth Exeter Plus	18.3% plus £213.5k
Falmouth Harbour Commissioners	19.8%
Glen Cleaning Services (330)	5.3%
Glen Cleaning Services (348) Roseland	16.2%
Glen Cleaning Services (352) Aspire	30.4%
Glen Cleaning Services (398) Treviglas	28.6%

Employer	Minimum contribution for the year ended 31 Mar 2023
Greenwich Leisure Ltd	28.2%
Mitie Catering Services Ltd	26.3%
RNLI	35.0%
Trading Standards South West Ltd	25.7%
We are with you	36.3%
Interserve Catering Services	26.3%
RNLI	35.0%
Trading Standards South West Ltd	25.7%
We are with you	36.3%

Employers with no active members	
Action for Children	Lorne Stewart
Affordable Cleaning	Newlyn Pier and Harbour Commissioners
Age Concern	Ocean Housing Ltd
Blisland PC	Ocean Housing Group Ltd
Blue Support Services	Ocean Services SW Ltd
BT Cornwall	OCS Group
Camborne School of Metalliferous Mining	Passmore Cleaning Ltd
Camborne School of Mines	Penwith Respite Care Ltd
Coastline Housing	Polperro Community Council
Cornwall Care	Restormel Regeneration Partnership
Cornwall Development Company	Serco Ltd
Cornwall Disabled Association	Southern Electric Contracting
Cornwall Magistrates Courts	St Cleer Parish Council
Cornwall River Authority	St Mewan Parish Council
Devon & Cornwall Housing	Stonham
Devon Norse	Tempus Leisure
Future Cleaning	The Learning Partnership
Kerrier Groundwork Trust	The Trevithick Trust
Landscapes Southwest Ltd	Truro School
Looe Town Council	United Response

Governance Compliance Statement

As approved March 2017.

The Local Government Pension Scheme Regulations 2013 (LGPS 2013 Regulations) require administering authorities to prepare a written statement setting out compliance with best practice governance principles.

The following statement sets out:

- the principles against which compliance is to be measured;
- the level of compliance by the Cornwall Pension Fund;
- evidence of compliance; and, if appropriate, reasons for non-compliance.

Section 1 sets out how the Administering Authority exercises its powers of delegation under the LGPS 2013 Regulations

Section 2 sets out details of the terms, structure and operational procedures relating to the local pension board established under the LGPS 2013 Regulations.

Section 1

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The terms of reference for the Pensions Committee clearly define its responsibilities in these areas
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pensions Committee membership is: - with full voting rights: • 10 Cornwall Councillors • 2 representatives of the other employers • 2 member-nominated representatives appointed by the trade unions representing employees, deferred members and pensioners
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable	The Pensions Committee has no secondary committee
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable	The Pensions Committee has no secondary committee

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, eg, admitted bodies);	Compliant	See A - Structure, section b) above.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	The Pensions Committee includes 2 member-nominated representatives appointed by the trade unions, representing employees, pensioner and deferred pensioner members.
iii) independent professional observers; and	Compliant	The Committee is advised by an independent professional adviser who is invited to attend all meetings of the Pensions Committee and other relevant meetings.
iv) expert advisors (on an ad-hoc basis).	Compliant	The Fund has a contract with Hymans Robertson covering actuarial services and JLT Investment Consulting as investment advisors. Other advisors covering actuarial, benefit and investment services are available from the South West framework agreement on an ad-hoc basis, if required.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members of the Pensions Committee are given equal access to meetings, training events and can fully contribute to the decision making process.
C – Selection and role of lay members		
a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	On appointment all new Pensions Committee members receive an information pack and induction training, setting out the status of the LGPS, and the role of the committee in respect of the fiduciary duties and the extent to which this committee differs from any other committee that Cornwall Council members may be involved with.
D – Voting		
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	The constitution of the Pensions Committee and the Governance Statement sets out the voting rights of each organisation.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	The Pensions Committee recognises the importance of training for members of the Committee and fully supports Myners' first principle. This states that decisions should only be taken by persons or organisations with the skill, information and resources necessary to take them effectively. In the Fund Business Plan provision is made for the cost of Member Training to further the achievement of this. In recognition of the need for specialist knowledge no substitutes are allowed on the Pensions Committee. Cornwall Council, as administering authority has fully embraced CIPFA's Knowledge and Skills framework for members of the committee as well as officers involved in the support to the Committee. As such, an extensive programme of training is undertaken, with events being held on a quarterly basis covering the range of topics identified within the Knowledge and Skills framework. There is also an agreed training strategy that the Committee follows in order to demonstrate their commitment to this statutory requirement. Any expenses incurred by members of the Pensions Committee in attending training courses are reimbursed through the Council arrangements Members' Allowance Scheme. For employee and employer representatives they will liaise with the Pensions Investment Manager for expenses incurred.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	All members of the Pensions Committee have equal access to training.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are four scheduled quarterly meetings of the Pensions Committee. Additional Committee meetings are arranged as necessary.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Applicable	The Pensions Committee has no secondary committee
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Applicable	The Pensions Committee does not include lay members, however an Annual Employers Meeting is held to which all employers are invited. The interests of scheme members are represented through the Member Nominated Representatives.
G – Access		
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of our Pensions Committee receive the same agenda and all reports and papers, including those treated as confidential.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
H – Scope		
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The remit of the Pensions Committee includes all matters relating to the Local Government Pension scheme, including issues in relation to discretions.
I – Publicity		
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Statement was approved by the Pensions Committee in March 2017. The Statement is available on the Council and Pension Fund's website within the Fund's Annual Report.

Section 2

Local Pension Board Compliance

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
A - LGPS 2013 Regulations		
Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.	N/A	Cornwall Councils decision making functions are delegated to a pensions committee (see Section 1). The local pension board is constituted separately.
Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.	N/A	Cornwall Council does not wholly or mainly share administration with any other administering authority and as a result cannot operate a joint local pension board.
Only employer and scheme member representatives shall be entitled to vote	Compliant	The local pension board terms of reference specify that all employer and scheme member representatives will be entitled to vote, but the independent Chair does not.
The administering authority has established a fair and transparent process for the appointment of local pension board members	Compliant	A fair and transparent process for the appointment of employer and scheme member representatives is included as an annex to the local pension board's terms of reference. The process allows all eligible individuals to put their names forward for consideration against a clearly defined set of criteria.

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
The local pension board consists of at least 4 members of whom 2 are employer representatives and 2 scheme member representatives	Compliant	The structure of the local pension board is, as follows; • 2 employer representatives drawn from any employer participating in the Cornwall Pension Fund • 2 scheme member representatives drawn from the active, deferred or pensioner membership of the Cornwall Pension Fund. • 1 independent Chair.
Employer and scheme member representatives have the capacity to represent their constituency.	Compliant	As part of the selection process, prospective pension board members are first assessed against their ability to commit the time to attend meetings, undertake training and effectively represent employers and members (as appropriate)
Where the local pension board is not a joint body also exercising delegated decision making powers; a) no officer or elected member of the administering authority who is also responsible for the discharge of functions under LGPS 2013 may be a member of the local pension board, and b) any elected member of the administering authority who is a member of the pension board must be an employer or scheme member representative	Compliant	The local pension board terms of reference specify that; 1. No officer or elected member of Cornwall Council who is either responsible for discharging any function in relation to the LGPS regulations or has delegated decision making authority in relation to LGPS matters may be a member of the Local Pension Board, and 2. the employer representatives may be elected members or officers of scheme employers represented in the Cornwall Pension Fund
No person to be appointed to the pension board may have a conflict of interest.	Compliant	The local pension board has its own policy on the managing of conflicts. Prospective members of the local pension board are required to declare any interests which are assessed as part of the appointment process as well as at any subsequent point that they arise.
No member of a pension board may have a conflict of interest.	Compliant	The local pension board has its own policy on the managing of conflicts. Members of the local pension board are required to complete and keep up to date a register of interests. Members of the local pension board are required to provide any information requested by Cornwall Council in order to establish the existence or otherwise of a conflict of interests.
B - Training		
There is a clear policy on training which complies with the Pension Regulator's code of practice no. 14	Compliant	A training strategy exists detailing how Pension Board members will attain and maintain the appropriate level of knowledge and understanding to carry out their duties effectively. All pension board members are required to attend training.

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
C - Expenses and facility time		
There is a clear policy on the reimbursement of expenses and use of facility time	Compliant	Allowances and expenses will be in accordance with established practice for the committees of Cornwall Council. It is expected that employers will facilitate reasonable paid absence to allow Local Pension Board members to fulfil their representative role.
D - Conduct of members		
The members of a Local Pension Board should have regard to the ‘Seven Principles of Public Life’ (“the Nolan Principles”)	Compliant	The pension board’s terms of reference requires members to abide by the Nolan Principles and the required Code of Conduct for elected members.
E - Reporting Breaches		
There should be a policy in place for the reporting of breaches of the law.	Compliant	The pension board has a policy on breaches of law which is in line with the requirements of the Pensions Regulator
F - Internal reporting		
There should be a clear mechanism for the Pension Board to report its requests, recommendations or concerns	Compliant	The circumstances and mechanism for internal reporting form part of the board’s terms of reference.

Governance Policy Statement

March 2017

Introduction

This is the Governance Policy Statement of the Cornwall Pension Fund, as required under the Local Government Pension Scheme Regulations 2013, Regulation 55.

Exercise of Administering Authority Function

The Council, on 20 May 2014, continued to support the agreement that the Pensions Committee will:

- exercise the functions of the Council as administering authority for the Local Government Pension Scheme in Cornwall; and
- establish a scheme of delegation to officers.

Membership of the Pensions Committee

The membership, with full voting rights, is as follows:

- ten Cornwall Councillors (politically balanced);
- two co-opted representative of the other employers in the Scheme.
- two Member-nominated representatives appointed by the trade unions representing the views of employees, deferred members and pensioners.

Period of Membership

The Council suggested that co-opted members are appointed for an initial period of four years. At the end of the four year period the individuals should be able to present themselves for reselection.

Frequency of meetings

The Committee meets quarterly, with additional meetings as and when required.

Scheme of Delegation from the Pensions Committee to the Section 151 Officer

At its meeting on 16 March 2017, the Committee agreed a Scheme of Delegation to the Section 151 Officer (set out in full at Appendix 1). This can be summarised as:

The Committee retains responsibility for the following items:

- The Fund's investment strategy
- The Investment Strategy Statement
- Approval of all policies
- The appointment of investment managers, consultants and the custodian
- Approval of the Annual Business Plan
- Approval of Annual Report and Accounts
- Acceptance of the triennial valuation report produced by the Fund Actuary
- Appointment of AVC providers

The Committee delegates to the Section 151 Officer responsibility for the following items:

- Managing and monitoring the investment managers, consultants and custodian
- Managing the Fund's cash assets directly held by the Administering Authority
- Transferring assets between the Administering Authority, the investment managers and custodian
- Accounting for all investment transactions
- Within limits, authorising expenditure from the Fund
- Paying the fees of the investment managers and the custodian
- When necessary, exercising the Funds' voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

Operation of the Cornwall Pension Fund Pension Board

As required by Regulation 106 of the Local Government Pension Scheme Regulations 2013 Cornwall Pension Fund has established a local pension board, the role of which is to;

- assist Cornwall Council (CC) as Scheme Manager –
  - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
  - in such other matters as the LGPS regulations may specify.
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the LPB or person to be appointed to the LPB does not have a conflict of interest.

The pension board does not carry out a delegated decision making function on behalf of the Administering Authority. Instead the pension board will carry out an oversight function to ensure that such decisions are properly compliant with regulations, guidance and internal policies.

The Composition of the pension board is as follows;

Representing	Number of members	Voting rights
Fund employers	2	Yes
Scheme Members	2	Yes
Independent Chair	1	No

Each member of the Local Pension Board will have an initial 2 year term of office to be extended to up to 4 years subject to review after the first 18 months.

No member, or prospective member, of the pension board may have a conflict of interest. All pension board members must declare any potential conflicts of interest prior to their appointment or at any point they arise. The pension board has a conflict of interest policy of which all members are aware and the board maintains a full declaration of interests.

All members of the pension board are required to subscribe to the Fund's training strategy which details how board members will attain the level of knowledge and understanding of their role required by The Pensions Regulator.

Where the pension board votes, by a majority, that a decision made by the pension committee or an officer exercising delegated powers, does not comply with certain principles they may refer that decision back to the relevant party. The Pension Investment Manager of the CPF must be informed of any such referral. The circumstances under which a decision may be referred back are that;

1. Under the CPF Scheme of Delegation, the decision maker did not have the power to make such a decision;
2. The decision was in breach of legislation and/or regulations;
3. The decision maker(s) did not follow professional advice given (or didn't take professional advice if it was a requirement to do so) and it is believed that this could result in a materially bad outcome for the CPF;
4. The decision making process did not follow one or more of the following principles:
    - The decision-maker(s) did not ask themselves the right questions;
    - The decision-maker(s) did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the CPF;
    - The decision-maker(s) did not take into account all relevant facts and disregard any irrelevant facts;

If the Local Pension Board is dissatisfied with the response or resolution to the concern raised, it will seek the advice of the Section 151 officer of Cornwall Council. Where the decision-maker in question is the Section 151 officer or the LPB remains dissatisfied with the response or resolution, the concern will be escalated within the Council as far as possible before seeking the advice of the Scheme Advisory Board.

The fact that the LPB may have questioned a decision in this way does not affect the validity of that decision nor in any way prevent a decision from being acted upon.

Appendix 1

Scheme of Delegation from the Pensions Committee to the Section 151 Officer

Pension Fund Investments

The Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Section 151 Officer. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between the Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Section 151 Officer or the Fund's Investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with the Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Responsibilities retained by the Committee and not delegated to officers or Investment Managers

1. Determination of the Fund's investment strategy.
2. Approval of the Investment Strategy Statement, including the Funds position on asset pooling and social, ethical and environmental issues relating to investments.
3. Approval of the Funding Strategy Statement
4. Approval of all policies – current policies cover:

   a. Corporate governance and the exercise of voting rights;

   b. Activism;

   c. Admission of organisations into the Pension Scheme.
5. The appointment and removal of investment managers, the Fund actuary, investment consultants and the Fund custodian.
6. Approval of the Annual Business Plan.
7. Approval of the Annual Report and Accounts.
8. Acceptance of the triennial valuation report produced by the Fund actuary.
9. Appointment of AVC providers.

Investment responsibilities delegated to the Section 151 Officer:

1. The management, monitoring and reporting to the Pensions Committee of the activities and the performance of the:

a. Investment Managers;

b. Investment Consultants and Advisers; and

c. Fund Custodian.

(Within any limits set by the Pensions Committee)

2. The management of the Fund's cash assets directly held by the Administering Authority.
3. The authorisation of cash or asset movements between the Administering Authority, the Fund custodian and the investment managers.
4. Accounting for all investment transactions in compliance with standard accountancy and audit practice.
5. To re-balance to the target allocations approved in the Investment Strategy Statement, when deemed prudent to do so.
6. Authorising expenditure from the Fund in accordance with financial projections contained in the annual Business Plan or any higher amount as approved by the Committee (See 7 below).
7. The payment of fees to the investment managers and the custodian in accordance with their contractual agreements. The fees paid to the Investment Managers and to the custodian are linked to the performance of the market. They may also be performance related. For this reason, they are excluded from the limits of expenditure in 6 above.
8. The Committee has delegated the use of voting rights on the fund's shareholdings to the Investment Managers. In exceptional circumstances the Section 151 Officer may, in consultation with the Chair and Vice Chair, request the Investment Managers to vote in a specific way.
9. The admission of organisations into the Pension Scheme - in accordance with approved policy and after consulting the Chairman and Vice Chairman of the Committee
10. Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities. This may, for example relate to fund managers no longer carrying out the management function and selling that on to another organisation.
11. In consultation with specialist advisors, determining on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues.
12. Authorisation to commit funds to existing alternative asset managers, to ensure that target allocations to the alternative asset classes are maintained.

Appendix 1A

Pension Fund administrative discretions and requirements

Responsibilities retained by the committee and not delegated to officers

Item	Regulation	Details
1.	A16 (10)	Discretion as to requirement for a medical examination before purchasing additional pension.
2.	T3 (13)	Discretion regarding abatement of pension.

Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008, as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Administrative responsibilities delegated to the Chief Operating Officer

Item	Regulation	Details
1.	A40/43/46	Recipient of a Death Grant can be the member’s nominee, personal representatives, relatives or dependants as decided on the merits of each case.
2.	A Schedule 1	Decide on the evidence required to determine the financial dependence of a nominated co-habitee on a scheme member or the financial interdependence of a nominated co-habitee and scheme member.
3.	A Schedule 1	For the payment of a child’s pension, the treatment of education as continuous despite a break.
4.	A 34	Commutation of small pensions.
5.	A 71	Ability to charge interest on late payment of contributions.
6.	T15	Ability to charge a member for information on AVC transfers if no election is subsequently made.
7.	A36 (3)	Choice of medical practitioner for advice on ill-health retirements.
8.	T15 (1)	Ability to extend time limit if employee wishes to pay off additional contributions by way of a lump sum.
9.	A64 (2A)	Ability to delay a cessation valuation for an exiting employer for a period of up to 3 years.

Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008 as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Investment Strategy Statement

Cornwall Council

Administering Authority for the Cornwall Pension Fund

Presented to the Pensions Committee
22 June 2023

1. Introduction

The Public Service Pensions Act 2013 (The Act) enables the Secretary of State to make regulations creating schemes of pensions for, amongst others, local government workers.

In England and Wales, such a scheme was created by the Local Government Pension Scheme Regulations 2013 (The Regulations). These Regulations were made by the Secretary of State exercising powers in the Superannuation Act 1972.

Under powers contained in The Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replaced the 2009 Investment Regulations. These regulations came into force on 1st November 2016. Regulation 7(1) requires administering authorities to formulate an investment strategy statement (ISS) which must be in accordance with guidance issue by the Secretary of State.

These investment regulations state that authorities are required to maintain an Investment Strategy Statement (ISS) documenting how the investment strategy for the Fund is determined and implemented. The statement is regularly reviewed (at least every three years). The ISS is required to cover a number of areas, specifically:

(a) A requirement to invest money in a wide variety of investments;

(b) The authority's assessment of the suitability of particular investments and types of investments;

(c) The authority's approach to risk, including the ways in which risks are measured and managed;

(d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments.

In maintaining the Statement, the Committee have obtained and considered advice from a suitably qualified individual, employed by their investment consultants Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments.

The Committee will review the Statement at least every three years and as required with any material changes, which is more regularly than the Regulations require, but deemed appropriate.

The ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statements
- Communications Policy Statement
- The Pension Fund Annual Report and Accounts
- Actuarial Valuation.

Mission Statement

The Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. Its primary objective is to provide for members' pension benefits.

The Committee also recognises its responsibilities to the Fund's employers, to make the Scheme cost effective and where possible to ensure stable employer contribution rates.

In order to support these key objectives through the Investment Strategy, the Committee has set the following aims:

- Integrate industry leading Responsible Investment (Environmental, Social and Corporate Governance [ESG]) processes and stewardship practices throughout the investment portfolio, to both manage risk and to take advantage of the opportunities which arise from this style of investing.
- Be as cost effective as possible, leveraging the strength of the Brunel Pension Partnership to drive down fund management fees.
- Smooth out the Fund's return profile by investing in a diversified portfolio of assets and by utilising effective dynamic risk management.
- Be dynamic, using tactical decisions (staying within the Fund's risk appetite) to take advantage of short-term market opportunities to try to generate extra return.

Background to the Fund

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Cornwall Pension Fund, in effect the LGPS for the Cornwall area to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The Cornwall Pension Fund is a participant in the Brunel Pension Partnership which is fundamentally changing the way in which the Fund's strategic asset allocation is implemented. This is a long-term strategic relationship of ten LGPS funds. How pooling impacts the Fund's investment arrangements and the authority delegated to the new company is explained in detail in this statement.

The Fund is a long-term investor with a primary objective as follows:

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, as required by the Local Government Pension Scheme (Benefits) Regulations 2013 (as amended).

This overall objective is supplemented by the funding and investment objectives which are detailed in this document.

Cornwall Pension Fund's Investment Strategy

The following sections details the Fund's investment strategy, which takes into account Regulation 7(2) (a), 7(2) (b) and 7(2) (c); listed below:

2. Investment of money in a wide variety of investments

Regulation 7(2) (a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed, and volatility of overall return is reduced. The guidance that accompanies the regulations does not prescribe the specific asset classes over which Fund monies must be invested.

3. Suitability of particular investments and types of investments

Regulation 7(2) (b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

Funding Objectives

The objectives of the funding strategy, as detailed in the Fund's 2022 Funding Strategy Statement, are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The assumptions used correspond with the assumptions used in the latest Actuarial Valuation. The funding position will be reviewed on a regular basis but at least at each triennial Actuarial Valuation. The Committee will be advised on the effect of any material changes to the Fund during the inter-valuation period.

Investment Strategy

Setting the Strategy

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. The objectives for the Cornwall Fund are considered below:

The full objectives of the investment strategy are:

To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an on-going basis.

To achieve these objectives, the Investment Strategy detailed in this document has been agreed.

The Committee has determined its investment strategy after considering the Fund's liability profile and requirements of the Statutory Funding Objective and their own appetite for risk. The Committee have also received written advice from a suitability qualified individual, employed by their investments consultants, Mercer. Input has also been received from the Fund's independent adviser, and the Actuary; Hymans Robertson.

Against these strategic targets, the Cornwall Pension Fund regularly reviews its Investment Strategy with an exercise completed annually as part of the business planning processes and (comprehensively at least every three years as part of the triennial valuation process) and in doing so considers the risk/return characteristics of each asset class and sub-asset class in this assessment. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The basis of the Committee's strategy is to divide the Fund's assets between a "Liquid Assets" portfolio, comprising assets such as Equities, Multi-Asset Credit, and investment grade credit, an "Illiquid/Alternatives" portfolio comprising assets such as private equity, property, infrastructure and private credit, and a "Risk Management" portfolio, comprising assets such as the Fund's Tactical Asset Allocation Portfolio "TAAP" and those assets within the Risk Management Framework. The Liquids/Alternatives/Risk Management allocation is set with regard to the overall expected return objective of the Fund's assets, which is determined by the funding objective and current funding level, as well as the risk tolerance.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. As a result, the Fund's assets are invested in a wide range of asset classes with different risk/return profiles.

In assessing the suitability of investments required to form the overall portfolio the Cornwall Fund considers a number of characteristics of each asset class, and sub asset class. These characteristics include potential return, risk/volatility of returns, liquidity, duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include cash flow requirements and an assessment of the required return to ensure the long-term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical, and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee takes all such decisions themselves. They do so after receiving written advice from their officers and investment consultant with independent advice on the investment consultant's recommendations being provided to the Committee by the Fund's independent advisor. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the Liquid, Illiquid/ Alternatives and Risk Management portfolios
- Determining the allocation to asset classes within the Liquid, Illiquid/Alternatives and Risk Management portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

As part of the 2016 review of its investment strategy the Cornwall Fund created a Tactical Asset Allocation Portfolio (TAAP). This allocation is designed to essentially act as an overlay across the Fund's strategic portfolio and take advantage of short term (approximately one year) opportunities that are consistent with the long-term risk and return goals of the Fund. The TAAP became effective in September 2018.

Risk Management Framework (RMF)

The Fund's asset portfolio is exposed to several market risks such as equity, interest rate, inflation and currency risk. Some of these risks could be rewarded in certain market conditions but at other times it could be helpful to reduce volatility of the portfolio by hedging some of these risks.

The RMF is designed to identify, measure and mitigate these risks.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

The Committee are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked

- UK and overseas corporate bonds
- Multi-asset credit (MAC)
- Convertible bonds
- Property
- Commodities
- Hedge Funds (including managed account)
- Private equity
- Infrastructure
- Private credit
- High yield bonds
- Emerging market debt
- Diversified growth
- Risk management products
- Cash

The Fund currently mainly invests in pooled portfolios. In addition, the Fund will normally hold a proportion of its monies in short-term bank deposits and money market funds to meet operational requirements.

Balance between different types of investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments. The Fund's strategic benchmark, detailed in this document, takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund.

The Fund may invest via pooled and segregated portfolios based on the appropriateness for each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

Asset Allocation and Long Term Expected Return on Investment

The Committee is responsible for setting the strategic asset allocation for the Fund which in turn must be consistent with the investment return assumed in the funding strategy.

The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

For the purpose of the triennial funding valuation at 31 March 2022, and setting contribution rates effective from 1 April 2022, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 4.4% per annum at the time of the valuation (this was 4.1% at the 2019 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, the asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

Given the very long-term nature of the liabilities, it is appropriate to take a long-term view of prospective asset returns is taken. Long-term in this context would be 20 to 30 years or more.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under- or out-performance compared to the long-term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored ('Strategic Allocation').

Current Strategic Benchmark

The strategic benchmark does not assume any outperformance from the investment managers. The Minimum and Maximum range allowed acts as the Fund's own limit on its investment strategy, and ensures compliance with the guidance which requires this.

There was an annual review of the Fund's Investment Strategy in 2020, with a formal review taking place in 2022 as part of the valuation process, to ensure that the strategy was still appropriate to meet the requirements set by the actuary.

We have set out the expected risks and returns as well as the strategic asset allocations at both of these reviews. The changes to the asset allocation as a result of the 2023 review are detailed below:

- Developed Market Equity allocation increased from 23.0% to 24.5%, split as follows:
  - 11.5% to Developed High Alpha Equity (1.5% increase)
  - 13.0% to Global Sustainable Equity (no change)
- Emerging Market Equity allocation reduced from 8.0% to 5.0%
- Diversified Growth allocation reduced to zero (was 7.5%)
- New allocation of 7.0% to Investment Grade Credit
- Property allocation reduced from 7.5% to 5.0%, and split 80%/20% between UK Property and International Property
- Social Impact allocation increased from 5.0% to 7.5%

- Risk Management Framework (RMF) allocation increased from 13.0% to 15.0%

The inclusion of a diversified range of assets in the strategy is expected to reduce the overall volatility of returns without significantly altering the Fund's expected long-term return.

4. Approach to risk, including the ways in which risks are to be measured and managed

Regulation 7(2) (c) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate). It also requires that funds ensure that the approach is complicit with that in their Funding Strategy Statement.

Approach to risk

The Fund recognises that there are a number of risks that need to be factored into the Investment Strategy, and the expected estimates of volatility are reflected in the table above. The financial, demographic and regulatory risks are addressed in the Funding Strategy Statement, and so are not repeated here. This statement looks to address the financial risks for the Fund, in particular the risk of the performance of the Fund's assets not achieving the actuary's expected rate of return. The following paragraphs explain the Cornwall Fund's approach to addressing this risk.

Investing heavily in higher risk assets (e.g. equities) would be expected to increase the long-term returns achievable from the assets, and thus to reduce the contributions required to Fund the liabilities over time. However, this type of strategy would be expected to lead to volatile short to medium term results, both in absolute terms and, particularly, relative to the Fund's liabilities.

Asset Class	2020 Strategic allocation (%)	2023 Strategic allocation (%)	Strategic range (%)		Absolute Expected return p.a.[1]		Expected 10-year Risk (Volatility) p.a.[1]	
			2020	2023	2020	2023	2020	2023
Liquid Assets	**43.5**	**41.5**	**n/a**	**31.5 - 51.5**				
Developed Market Equity	**23**	**24.5**	**18-30**	**14.5 - 34.5**	**4.8%**	**8.1%**	**17.3%**	**18.9%**
Developed High Alpha Equity	10	11.5						
Global Sustainable Equity	13	13						
Emerging Market Equity	8	5	2-11	0-10	4.6%	9.4%	28.4%	24.1%
Diversified Growth	7.5	0	0-17	n/a	3.8%	n/a	10.1%	n/a
Multi-Asset Credit	5	5	0-15	0-10	4.1%	8.0%	8.1%	9.0%
Investment Grade Credit	0	7	n/a	0-12	n/a	5.3%	n/a	5.7%
Illiquid/Alternative Assets	**35.5**	**35.5**	**n/a**	**27.5 - 43.5**				
Property	7.5	5	4-13	2-10	2.5%	6.4%	14.8%	15.4%
Private Equity	5	5	2.5-7.5	2.5-7.5	4.6%	8.3%	24.4%	24.8%
Infrastructure	12	12	7-17	7-17	3.6%	7.6%	15.0%	15.5%
Private Debt	6	6	3-9	3-10	4.3%	7.9%	12.6%	10.6%
Social Impact	5	7.5	0-8	0-10	3.0%	7.0%	14.9%	13.3%
Liquidity Sleeve[2]	n/a	n/a	n/a	0-10	n/a	n/a	n/a	n/a
Risk Management	**21**	**23**	**n/a**	**13-33**				
TAA Portfolio[3]	8	8	2-14	4-14	3.8%	7.3%	10.1%	10.6%
Risk Management Framework	13	15	6-20	5-25	-	-	-	-

Notes:

[1] Expected Returns and expected risk figures are Mercers' forecasts as at the time of modelling (30 September 2020 for 2020 numbers, and 30 September 2022 for the strategy agreed in 2023).

[2] Due to the time it takes to deploy capital in private markets (sometimes a matter of years) and not wanting this to cause a material drag on the strategic return objective, as part of the 2020 review, the Committee approved the use of liquid private markets alternatives, to top the underweight allocations to Private Markets up to their strategic allocations. More information available in Appendix B.

[3] Tactical Asset Allocation Portfolio (TAAP) is an allocation designed to take advantage of short term (approximately one year) opportunities that are consistent with the long-term risk and return goals of the Fund.

Equally, whilst investing in lower risk assets (e.g., bonds) would be expected to reduce risk within the Fund (in terms of the volatility of returns, the funding level and contribution rates), this may not be desirable as it would lead to a lower expected return and hence higher contribution rates over the long term.

In considering the Fund's investment strategy, one must therefore bear in mind this balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising downside risk, within agreed parameters.

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, a number of these are considered below:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk (including the Brunel Pension Partnership)

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.
- The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.
- The Brunel Pension Partnership (BPP) is responsible for appointing and monitoring the managers with which the Fund invests. BPP have the appropriate mechanisms in place to allow the Fund to hold it to account. Further details can be found in section 5 below.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Fund over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds which are readily realisable. As a result, the investments in less liquid asset classes such as property, hedge funds, private equity and infrastructure are limited.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- The Fund manages this through regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Committee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Fund's advantage.

Legislative Risk

- This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.
- The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.
- The Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.
- As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.
- Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest rate risk and Inflation risk

This covers the following risks:

Interest rate risk -

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

Inflation risk -

- This is the risk that the value of the Fund's liabilities which are inextricably linked to long-term expected Consumer Price Index (CPI) inflation, increase at greater rate than the assets.
- The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management and investing in assets that move in line with inflation such as Infrastructure.

Climate Risk

- The risk that climate change issues may negatively impact asset classes, sectors and companies, and therefore negatively impact investment returns on the Fund's assets.
- The Fund manages this by understanding and monitoring the exposure of the assets to climate risks. The Fund assesses and takes appropriate actions where necessary to address any climate risks within the assets. Further details on the Fund's approach to climate related risks are set out in the Fund's Responsible Investment Policy.

Pandemic Risk

- This is the risk that an outbreak of an infectious disease causes disruption (possibly worldwide) that has a significant impact on the state of the economy and could result in a significant reduction in assets.
- The Fund manages this through regular reviews of the investments and through investing in funds which give a wide degree of diversification, in a wide range of companies and sectors. The Fund also assesses this by understanding the extent of extreme downside scenarios on the Fund's assets.

5. Approach to pooling

Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Cornwall Pension Fund pools investments with 8 other local authorities and the Environment Agency through the Brunel Pension Partnership and it's operator Brunel Ltd. This pool became operational from September 2018 and the Cornwall Pension Fund, through the Pension Committee, retain the responsibility for setting the detailed Strategic Asset Allocation and policies for the Fund. The portfolios provided by Brunel Ltd, have been designed to meet the requirements set out by the Brunel Pension Partnership members funds and the Fund allocates to these portfolios in-line with this Investment Strategy Statement.

The Brunel Pension Partnership is a company wholly owned by the Administering Authorities. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular, it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds are operated by professional external investment managers. The Cornwall Fund will be a client of the Brunel Pension Partnership and as a client has the right to expect certain standards and quality of service. A detailed Service Agreement is in place, which sets out the duties and responsibilities of Brunel Ltd, and the rights of the Cornwall Fund as a client. It includes a duty of care of Brunel Ltd to act in its clients' best interests.

There is an Oversight Board, which is comprised of representatives from each of the Administering Authorities and has been set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel Pension Partnership delivers the services required to achieve investment pooling and therefore has a monitoring and oversight function. Subject to its terms of reference it is able to consider relevant matters on behalf of the Administering Authorities, but does not have delegated powers to take decisions requiring Shareholder approval. These are remitted back to each Administering Authority individually.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but also draws on Administering Authorities finance and legal officers from time to time. It has a primary role in reviewing the implementation of pooling by Brunel Pension Partnership, and provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

6. Responsible Investment Policy

The Cornwall Pension Fund's Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. To do this effectively the Committee recognises the importance of managing Environmental, Social and Corporate Governance ("ESG") issues, including climate change, that are financially material to the Fund, both in terms of opportunities and risks. What is more, there is a growing urgency with respect to long-term sustainability issues, particularly climate change. Therefore, it is imperative that ESG considerations and active ownership are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

The Fund has made significant progress in evolving its policies on responsible investment and climate change. We are continuing to focus on this as a key priority for the Fund, and we continue to aspire to be at the forefront of responsible investment best practice.

As part of building upon our aspirations, the Fund has signed up to a number of commitments and affiliations to support us on our journey, which are detailed in the Fund's Responsible Investment Policy. One of the pivotal commitments made was the Fund being in the first wave of signatories to sign up to the ambitious Institutional Investors Group on Climate Change (IIGCC) Net Zero Asset Owner Commitment. As part of this Net Zero Asset Owner Commitment, the Fund has made a number of commitments; including to achieve net-zero portfolio greenhouse gas emissions by 2045, and a number of actions which are necessary to enable this commitment to be achievable.

The Committee has also revisited its beliefs and has updated its policies and processes, which have developed significantly since the previous version of the Policy was published. The Fund has also met its target commitment to sustainable and low carbon assets (and has now ratchetted up its commitment), and has reduced the carbon intensity of its equity portfolios.

The Fund is a signatory to the UK Stewardship Code 2020. The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code comprises a set of 12 'apply and explain' Principles for asset managers and asset owners. Organisations may apply to become a signatory by submitting a report detailing how they have applied the Code during the reporting period. Organisations whose reporting has met expectations will be listed as a signatory to the Code.

The Fund has also voluntarily committed to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD") requirements.

The Committee recognises that ESG and stewardship are rapidly developing topics and will continue to develop its understanding, approaches, and ambition in these areas.

The Committee recognises the importance of working collaboratively with the Brunel Pension Partnership ("Brunel") to make the Fund's ESG approach effective.

The Committee defines Responsible Investment ("RI") as the integration of ESG issues into its investment processes and stewardship (or active ownership) practices in the belief this can positively impact financial performance over the long term.

The Committee recognises the commitments made by countries, regions, organisations and also local authorities such as Cornwall Council in relation to climate change. Climate change (and other long-term sustainability issues) present opportunities and risks that increasingly require explicit consideration by long-term investors.

Further information is available in the Fund's Responsible Investment Policy and Responsible Investment Outcomes Report

Contact

Pension Investments Manager
Cornwall Pension Fund
2nd Floor, West Wing
New County Hall
Truro TR1 3AY

Email: pension.investments@cornwall.gov.uk

Tel: 01872 322222

Appendices

A. Investment Manager Information

At 31 March 2023, the Fund is invested with a range of Fund managers. The table right shows the details of the mandate(s) with each manager. All set objectives are net of fees.

As of 31 March 2023, 83.0% of the Fund's assets are invested through the Brunel Pension Partnership. This percentage will continue to increase as the Fund's legacy Private Markets commitments wind down and the monies are re-deployed into Brunel portfolios.

Investment Manager/Fund	Date of Appointment	Benchmark	Objective
Growth Assets			
Global Sustainable Equities			
Brunel	October 2020	MSCI AC World	+1 - 2.0% p.a.
Emerging Market Equities			
Brunel	October 2019	MSCI Emerging Markets TR	+2 - 3.0% p.a.
Global High Alpha Equity[1]			
Brunel	August 2021	MSCI World Index TR GD	+2 - 3.0% p.a.
Smaller Companies Equities[1]			
Brunel	August 2021	MSCI World Small Cap Index TR GD	+2.0% p.a.
Diversified Growth			
Brunel Diversifying Returns Fund[1]	August 2021	GBP SONIA	+3 - 5.0% p.a.
Tactical Asset Allocation Portfolio (advisor)	September 2018	Total Fund ex RMF ex TAAP	+1.0% p.a.
Property			
Brunel UK Property	July 2020	MSCI/AREF UK Quarterly Property Fund Index	+0.5% p.a.
Brunel International Property	September 2020	Global Real Estate Fund Index (INREV GREFI)	+0.5% p.a.
Alternatives – Infrastructure			
Infracapital	July 2007	GBP SONIA	+5.0% p.a.
Hermes	January 2015	GBP SONIA	+5.0% p.a.
Brunel	January 2019	UK CPI	+4.0% p.a.
Alternatives – Private Equity			
Aberdeen Standard	April 2006	GBP SONIA	+5.0% p.a.
Wilshire	March 2007	GBP SONIA	+5.0% p.a.
Environmental Technologies Fund	July 2008	GBP SONIA	+5.0% p.a.
Brunel	February 2021	MSCI ACWI	+3.0% p.a.
Alternatives – Private Debt			
Golub	April 2017	GBP SONIA	+5.0% p.a.
Arcmont	August 2017	GBP SONIA	+5.0% p.a.
Brunel	June 2021	GBP SONIA	+4.0% p.a.
Alternatives – Social Impact			
Brunel	June 2022	GBP SONIA	+5.0% p.a.
Stabilising Assets			
Alternatives – Multi-Asset Credit			
Brunel MAC[1]	June 2021	GBP SONIA	+4 - 5.0% p.a.
Risk Management Framework			
BlackRock[2]	June 2020	n/a	n/a

[1] These funds are also used as liquid Private Markets alternatives. Please see Appendix B below for more information.

[2] Due to the RMF being a protection portfolio with multiple different components, no benchmark is shown. The underlying components are monitored by Fund Officers and Mercer.

B. Liquid Private Markets Alternatives
As part of the Investment Strategy Review at the March 2021 meeting, the Pensions Committee approved an update to the Investment Strategy, “that the underweight allocations to Private Markets be topped up to strategic allocations, with the use of liquid Private Markets alternatives”.

The Fund has made a number of private market commitments through Brunel’s Private Markets Portfolios; however, due to the fact that private market investments can take many years to fully draw down committed capital, the Fund could be underweight to these investments for long periods of time. This sustained underweight can cause a material drag on the strategic return objective.

Allocating to a listed vehicle used as a private market proxy, whilst awaiting the Private Market commitments drawing down the capital, will generate a greater correlation with the expected return of the underlying strategic asset.

Officers have worked with the independent advisor, Brunel, and the Fund’s investment consultant, Mercer, and have identified the below suitable Brunel portfolios, while awaiting the existing commitments to be drawn down. Some of the key benefits of allocating through Brunel, are the strong responsible investment characteristics of the Brunel portfolios and the economies of scale offered, due to some of the other LGPS funds in the partnership, having invested in the portfolios.

Asset Class	Liquid Alternative
Private Debt	Brunel Multi-Asset Credit
Private Equity	50% Brunel High Alpha Developed Equities & 50% Brunel Global Small Cap Equities
Social Impact Portfolio	Brunel Diversifying Returns Fund (DRF)

Rebalancing of these liquid alternatives (so that the Fund is at its target strategic weight) will be reviewed monthly or after any significant drawdown or distribution from the correlating private markets investment.

The Fund’s full Cash Management Strategy can be viewed here: Cash Management Strategy

C. Stock lending
The Fund utilises stock lending as a way of enhancing the income gained from securities. The Fund is currently invested in pooled investment funds, meaning that decisions on stock lending are delegated to the investment manager.

Communication Policy Statement

April 2023

Introduction

This is the Communications Policy Statement of the Cornwall Pension Fund, administered by Cornwall Council (the Administering Authority).

The Fund liaises with over 140 employers and approximately 57,000 scheme members in relation to the Local Government Pension Scheme (LGPS). The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

Any enquiries in relation to this Communication Policy Statement should be sent to:

Cornwall Pension Fund
4th Floor South Wing, County Hall
Truro, Cornwall TR1 3AY
Tel: 01872 322322
Email: pensions@cornwall.gov.uk
www.cornwallpensionfund.org.uk

Regulatory Framework

This policy statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provision requires us to:

"….prepare, maintain and publish a written statement setting out their policy concerning communications with:

(a) members;

(b) representatives of members;

(c) prospective members;

(d) scheme employers."

In addition it specifies that the statement must include information relating to:

(a) the provision of information and publicity about the Scheme to members, representatives of members and scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers."

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations 2013 and other relevant legislation.

Responsibilities and Resources

Within Cornwall Pension Fund the responsibility for communication materials are performed by the Pension Benefits Manager and Pension Investment Manager with the assistance of the Member Services Manager, Data and Employer Manager, Employer Liaison Officer, Communications and Employer Training Officer and four Senior Pensions Technical Officers.

Although we write all communication within the team, all design work is carried out by the Council's Design Team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement

The majority of bulk printing work is carried out by an external supplier as there is no suitable "in-house" printing facility. Comparison quotations are obtained which include printing, collating, inserting into envelopes and where appropriate, posting to home addresses. All arrangements for forums, workshops, meetings and presentations covered within this statement are made by the same officers detailed above, in partnership with the employer or department requesting the information.

Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we explain how we communicate with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- Surviving partners
- scheme employers and admission bodies;
- senior managers;
- union representatives;
- elected members
- Other Committee and Local Pension Board members
- Cornwall Pension Fund staff

In addition, there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, the Ministry for Housing, Communities and Local Government, solicitors, the Money and Pensions Service, the Pensions Ombudsman, Pension Regulator and other pension providers.

How we communicate

General communication

We will continue to use paper-based communication as a means of communicating, for example, by sending letters to our scheme members who join and leave the scheme. However, communication with our employers is primarily by e-mail. Both methods are complemented by use of other electronic means such as our website. We will accept communications electronically, for example, by e-mail and, where we do so, we will respond electronically where possible.

Cornwall Pension Fund staff are responsible for specific tasks and for dealing with a specific proportion of our scheme members. The Team's Direct phone number and individual email addresses are shown on all external communication, where permitted, to assist with easier access to the correct person.

Branding

The Pension Fund is administered by Cornwall Council, but now provides services to over 140 employers who participate in the Fund.

To reflect the ever diversified membership of the Cornwall Pension Fund, the Fund has adopted an individual identity, which will allow all communications from the Fund to be instantly recognisable as Cornwall Pension Fund related communications.

Policy on Communication with Active, Deferred and Pensioner Members:

Our objectives with regard to communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education on the benefits of the LGPS.
- to provide more opportunities for face-to-face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- liaise with their employers or ex-employers to help resolve queries any of their current or former employees may have
- for our employers to be employers of choice.
- to increase take up of the LGPS employees.
- to reassure stakeholders.
- Help prevent possible scams

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail in the following table:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Summary Scheme booklet	Paper based and on website	At joining and major scheme changes	Post to home address/via employers	Active
Full Scheme booklet	Paper based and on website	As requested	Post to home address/via employers or electronic link via email	All
Starter Pack	Paper	At joining	Post to home address	Active
Pension Fund Annual Report and Accounts	Website	Annually	Website	All
Pension Fund Accounts – Summary	Website	Annually	Website	All
Annual Benefit Statements	Paper based	Annually	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
My Pension Online	Electronic	Continually available	Advertised on all external facing communications and members directed to facility whenever contact made with the fund	All
Website	Electronic	Continually available	Advertised on all communications	All
Roadshows/Induction sessions	Face to face	On request	Advertised in Administration manuals and employer bulletins.	All
Face to face education sessions	Face to face	On request	On request	All
P60's, payslips and newsletters	Paper based	Annually	Post to home	Pensioners

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS.

Full Scheme booklet - A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Starter pack – These complement the summary scheme booklet and contain confirmation of joining the scheme including an Expression of Wish and Pension History form. Pension History form helps to identify any previous pension benefits the member has and wishes to consider transferring into the Cornwall Pension Fund.

Pension Fund Annual Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is document is available on our website. A summary document, as detailed below, is also available on our website.

Pension Fund Accounts Summary – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits up to Normal Pension Age (NPA). The associated death benefits are also shown as well as an indication of whether or not the individual has completed an Expression of Wish form regarding their preferred recipient of the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and details of the associated death benefits.

My Pension Online – A secure online facility to check their personal details, amend these and contact the Fund. This also provides members with the ability to complete projections of their pension benefits, which can be altered or amended to suit their requirements i.e. retiring earlier than the normal pension age.

Website – The website will provide scheme specific information (such as the policies of the Fund), forms that can be printed or downloaded, access to documents (such as newsletters and annual report and accounts), links to related websites and contact information.

Roadshows – The Employer Liaison Officer and/ or Communications and Employer Training Officer will attend various locations upon request of the employer. These presentations provide the opportunity to have a face-to-face conversation about your pension rights

Face to face education sessions – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the options available in respect of their accrued pension benefits.

P60's, payslips and newsletters – communication regarding confirmation of pension paid from the Fund

Policy on promotion of the scheme to Prospective Members and their Scheme Employers

Our objectives with regard to communication with prospective members are:

- to improve take up of the LGPS.
- to improve the My Pension Online sign up
- for the LGPS to be used as a tool in the attraction of employees.
- for our employers to be employers of choice.

As we, in the Pension Fund office, do not have direct access to prospective members, we will work in partnership with the scheme employers in the Fund to meet these objectives. We will do this by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Summary Scheme booklet	Paper based and website	On commencing employment	Via employers	New employees
Full Scheme booklet	Paper based and on website	As requested	Via employers	New employees
Educational sessions	As part of induction workshops	On commencing employment and as requested	Face to face	New employees
Posters	Paper based	Ongoing	Via employers	New and existing employees

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS.

Scheme booklet - A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Educational sessions – A talk providing an overview of the benefits of joining the LGPS.

Posters – These will be designed to help those who are not in the LGPS understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

Policy on communication with Scheme Employers

Our objectives with regard to communication with employers are:

- to improve relationships.
- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to gain 100% usage of i-Connect, the monthly employer data facility.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to ensure they are aware of their statutory responsibilities when tendering service contracts involving employees contributing to, or eligible for membership of the LGPS.
- to assist them in making the most of the discretionary areas within the LGPS.
- To provide a dedicated point of contact for employers through the Employer Liaison Officer

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Administration Guide for Employers'	Paper based and on employer section of website	At joining and updated as necessary	Post or via email	Main contact for all employers
Bulletins	Paper based and on employer section of website	As necessary	Email	All contacts for all employers
Annual employers meeting	Face to face	Annually	Invitations by email	All contacts for all employers
Employers focus groups	Face to face	As necessary	Invitations by e-mail	Either main contacts or specific groups (e.g. HR or Finance) depending on topics
Pension Fund Annual Report and Accounts	Website	Annually	Website	Main contact for all employers
Meeting with adviser	Face to face	On request	Invite sent by post or email	Senior management involved in funding and HR issues.
Meeting with Employer Liaison Officer	Face to Face	On request	Email	Main contact for all employers
Pensions Administration Strategy	Paper based and on employer section of website	As necessary	Post or via email	Main contact for all employers

Explanation of communications

Administration Guide for Employers' - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Cornwall Pension Fund and scheme members.

Bulletins – A short briefing paper informing employers of any future changes to benefit structures or providing updates on topical issues and also be a useful future reference point.

Annual employers meeting – A formal annual general meeting event with a number of speakers covering topical LGPS issues.

Employers' focus groups – Generally workgroup style sessions set up to debate current issues within the LGPS.

Pension Fund Annual Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current scheme employers and scheme membership numbers.

Adviser meeting – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

Employer Liaison Officer and Communications and Employer Training Officer – Give employers a dedicated point of contact to discuss any matters relating to their participation in the scheme and training requirements.

Pensions Administration Strategy – A formal document detailing the responsibilities and performance standards expected of our employers to help the Fund deliver a high quality and cost-efficient administration service.

Policy on communication with senior managers

Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention tool

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Website, email or hard copy	All on request
Committee papers	Paper based and electronic	In advance of committee meeting	Website, email or hard copy	All on request
Local Pension Board Papers	Paper based and pension website	As and when available	Website, email or hard copy	All on request

Explanation of communications

Briefing papers – a briefing that highlights key issues or developments relating to the LGPS and the Fund, which can be used by senior managers when attending meetings.

Committee papers – formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Policy on communication with union representatives

Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the scheme to their members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to educate union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Website, email or hard copy	All
Face to face education sessions	Face to face	On request	On request	All
Pension Committee meetings	Meeting	Quarterly	Website, email or hard copy	All
Local Pension Board	Meeting	Quarterly	Website, email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues and developments relating to the LGPS and the Fund.

Face to face education sessions – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

Pension Committee meetings – a formal meeting of elected members, attended by senior officers, at which local decisions in relation to the scheme (policies, etc) are taken

Local Pension Board – a formal meeting attended by senior officers, employee and employer representatives and an independent Chair, where the work of the Pensions Committee and Cornwall Pension Fund officers is reviewed.

Policy on communication with elected members/the Pensions Committee

Our objectives with regard to communication with elected members/the Pensions Committee are:

- to ensure they are aware of their statutory responsibilities in relation to the scheme
- to ensure they have access to and receive the appropriate and required training for the role
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Face to face	When there is a new Pension Committee or to a new member who joins the Pensions Committee during the cycle Usually prior to each formal meeting and set training days which are provided throughout the year	Face to face	All members of the Pension Committee
Training Strategy	Face to face, paper based and electronic	As and when required	In house and external training, web based and hard copy	All members of the Pension Committee
Briefing papers	Paper based and electronic	As and when required	Website, email or hard copy	All members of the Pension Committee
Pension Committee Meetings	Meeting	Quarterly	Website, email or hard copy	All members of the Pension Committee

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and Committee member's responsibilities within it. Also, more detailed training on specific topics relevant to the Cornwall Pension Fund.

Training Strategy – formal document established to assist Committee members in performing and developing in their role and to equip them with the necessary skills and knowledge to act effectively in line with their statutory responsibilities.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Pension Committee meetings - a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Policy on communication with the Local Pensions Board

Our objectives with regard to communication with members of the Local Pension Board

- to ensure they are aware of their statutory responsibilities in relation to the scheme
- to ensure they have access to all necessary documents
- to ensure they receive the appropriate and required training for the role

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Face to face	When a new member joins Usually prior to each formal meeting On training days which are provided throughout the year	Face to face	All members of the Local Pensions Board
Training Strategy	Face to face, paper based and electronic	As and when required	In house and external training, web based and hard copy	All members of the Local Pensions Board
Briefing papers	Paper based and electronic	As and when required	Website, email or hard copy	All members of the Local Pensions Board
Local Pensions Board Meetings	Meeting	Quarterly	Website, email or hard copy	All members of the Local Pensions Board

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, the Board member's responsibilities within it and other training required to meet The Pensions Regulator's requirements. Also, more detailed training on specific topics relevant to the Cornwall Pension Fund.

Training Strategy – formal document established to assist Pension Board members in performing and developing personally in their role and to equip them with the necessary skills and knowledge to act effectively in line with their statutory responsibilities.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Local Pension Board meetings - a formal meeting of elected employee and employer representatives, attended by senior officers and an independent Chair, where the work of the Pensions Committee and Cornwall Pension Fund officers is reviewed.

Policy on communication with Cornwall Pension Fund staff

Our objectives with regard to communication with Cornwall Pension Fund staff are:

- ensure they are aware of changes and proposed changes to the scheme
- to provide on the job and external training opportunities to all staff
- to develop improvements to services, and changes to processes as required
- Improve knowledge and understanding of scheme regulations

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Face to face training sessions	Face to face	As required	By arrangement	All
Staff meetings	Face to face	As required	By arrangement	All
Administration procedure guide	Internally provided	As and when required	By email, paper based	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All
Software User Group meetings	Face to face	quarterly	By email, paper based	Senior Pension Technical Officer (IT) and Data and Employer Manager, Data Team Leader
Regional Officer group meetings	Face to face	quarterly	By email, paper based	Pensions Manager, Data and Employer Manager and Member Services Manager
Regional Group Training sessions	Face to Face	As and when required	By email, paper based.	All Pension Administrators
National Communication Working Group meetings	Face to Face	Quarterly	By email, paper based	Data and Employer Manager
Encourage attainment of professional qualifications	Externally provided	As requested	By email, paper based or attending external training courses	All

Explanation of communications

Face to face training sessions – which enable new staff to understand the basics of the scheme, or provide more in-depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme and software updates

Staff meetings – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales

Attendance at seminars – to provide more tailored training on specific issues

Software User Group meetings – to discuss any issues concerning the computer software used to administer the scheme, including future upgrades and improvements.

Regional Officer Group meetings – quarterly meetings with senior officers from other South West local authorities to discuss administration matters including, latest government guidance and other topical issues.

Regional Group Training sessions – regular meetings with officers from other South West local authorities to discuss specific administration procedures.

National Communications Working Group – regular national meetings with communication officers from other pension funds to discuss communication matters including latest Government guidance and other topical issues.

Encourage attainment of professional qualifications – external courses available to enhance general pensions knowledge and assist with career grade position.

Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme
- to provide assurance that the fund is being administered and governed in accordance with statutory requirements.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund Report and Accounts	Website	Annually	Website	All, on request
Pension Committee Papers	Paper based and on Cornwall Council's website	As and when available	Website, email or hard copy	All, on request
Local Pension Board Papers	Paper based and on Cornwall Council's website	As and when available	Website, email or hard copy	All, on request
Scheme Advisory Board	Website	As and when available	Email	All, on request

Explanation of communications

Pension Fund Report and Accounts – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Pension Fund Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Scheme Advisory Board – a statutory body established to assist both the Government and Local Pension Boards in promoting best practice, increasing transparency and coordinating technical issues in the LGPS.

Policy on communication with the media

Our objectives with regard to communication with the media are:

- to ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme
- to provide assurance that the Fund is being administered and governed in accordance with statutory requirements.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Press releases	Paper based or electronic	As and when required for other matters	Website, email or hard copy	Local press
Local Pension Board Papers	Paper based and pension website	As and when available	Website, email or hard copy	All, on request
Scheme Advisory Board	Website	As and when available	Email	All, on request
Pension Committee papers	Paper based and pension website	As and when available	Website, email or hard copy	All, on request

Explanation of communications

Press releases – provide statements setting out the Fund's opinion of the matters concerned (i.e . . . Fund valuation results)

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Scheme Advisory Board - a statutory body established to assist both the Government and Local Pensions Boards in promoting best practice, increasing transparency and coordinating technical issues in the LGPS.

Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's Additional Voluntary Contribution (AVC) scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund valuation reports: • Rates & Adjustment certificates • Revised R&A certificates • Cessation valuations	Paper based/Electronic	Every three years or as required	Website, post or email	Department for Levelling Up, Housing and Communities (DLUHC)/Her Majesty's Revenue and Customs (HMRC)/all scheme employers
Details of employers exiting the Fund	Electronic	As each employer exits the Fund	Email	Exiting employer
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	DLUHC/HMRC/ Pensions Regulator
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Money and Pensions Service/the Pensions Ombudsman
Completion of questionnaires and/or consultations	Electronic or hard copy	As and when required	Via email or post	DLUHC/HMRC/ Pensions Regulator
Additional Voluntary Contribution (AVC) Annual Benefit statements	Paper based	Annually	Post to home address	Scheme member

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years containing the Rates & Adjustment (R&A) Certificate setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

Details of employers exiting the Fund - Cessation valuation detailing any surplus or deficit where an employer ceases to participate in the pension fund.

Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (i.e. following the admission of third-party service providers into the scheme)

Formal Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute

Completion of questionnaires/consultations – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund. Consultations on proposed changes to LGPS Regulations.

AVC Annual Benefit statements – statements received from insurance companies, information loaded onto administration database and paper copy forwarded to scheme member.

Performance Measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

Timeliness

We will measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Summary Scheme booklet and Starter Pack	New joiners to the LGPS	Within two months of joining	Within four weeks of receiving notification from scheme employer
Annual Benefit Statements as at 31 March	Active and deferred members	31 August each year	31st August each year
Telephone calls	All	Not applicable	95% of phone calls to be answered within 30 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	95% of retirement benefits to be issued within 10 working days of retirement
Issue of deferred benefit details.	Leavers	Within two months of withdrawal	Within one month of receiving notification.
Transfers in	Joiners/active members	Within two months of request	Within one month of request
Issue of forms i.e. expression of wish	Active/Deferred/ Pensioners members	N/A	Within five working days of request
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within two months of change coming into effect
Annual Pension Fund Report and Accounts	All	Accounts by 31 July and Annual Report by 1 December	On or before these dates.
Breaches of HMRC Annual Allowance	All	6 October each year	6 October each year
Reporting specific events to HMRC	All	31 January following scheme year end	31 January following scheme year end

Quality

Audience	Method	To consider	Notes
Active and deferred members	Feedback from annual benefit statements	All services	-
All member types	Administration software performance statistics based on completion of specific tasks and procedures	Performance targets achieved for each specific administration procedure	Procedure performance figures obtained for various benefit calculations i.e.: • retirements • new starts and transfers in • transfers out • deferred leavers
All member types	Pensions Committee and Local Pension Board meeting on quarterly basis	All services and identify improvement areas/new services	Representative group of all member types.
Employers	Training sessions, presentations and Annual General Meeting	Their issues	Regular feedback sessions.

Results

Details of the software performance figures are reported on a monthly basis and are reviewed by the Pensions, Data and Employer Manager and Member Services Manager. Feedback is received from the Head of Pensions, Treasury & Technical.

Review Process

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website at **www.cornwallpensionfund.org.uk** and paper copies will be available on request.

Appendix 1
Administration Strategy

1 Introduction and background

1.1 This is the Pension Administration Strategy Statement for the Cornwall Pension Fund (“the Fund”) which has been developed following consultation with employers in the Fund. The aim of the strategy is to ensure both the Administering Authority and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality and cost-effective administration service. More detailed objectives of this strategy document are set out in Section 4.

1.2 Cornwall Council (the "Administering Authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises over 140 employers with active members, and approximately 57,000 scheme members (including active members, deferred and pensioner members).

1.3 Delivery of a high-quality administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

2 Implementation

2.1 This Strategy Statement was approved by the Pensions Committee in April 2023. It is effective from 1 April 2023.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date above. The statement sets out the expected levels of performance of both the Administering Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

In preparing this Strategy we have consulted with the relevant employers and other persons considered appropriate.

We will review the Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years.

The Strategy will be available on our website at:

https://www.cornwallpensionfund.org.uk

2.2 Any enquiries in relation to the day to day administration of the Fund should be sent to:

Cornwall Pension Fund
Fourth Floor, South Wing
County Hall
Truro TR1 3AY
Email: pensions@cornwall.gov.uk
Phone: 01872 322322

2.3 However, if you have an enquiry about the principles or content of this Strategy, please contact the Employer Services Manager:

Cornwall Pension Fund
Fourth Floor, South Wing
County Hall
Truro TR1 3AY
Email: matthew.allen@cornwall.gov.uk or
pensions@cornwall.gov.uk

Phone: 01872 322322 option 2

3 Regulatory Basis

3.1. The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 (as amended) provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

3.2. In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the Administering Authority and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations;
- Pensions Act 2011 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Equality Act 2010;
- Data Protection Act 2018;
- Finance Act 2013; and
- Relevant Health and Safety legislation.

3.3. In particular, regulations 72, 73, 74, 75 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

3.3.1 Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is entitled to any benefit under the scheme) as soon as is reasonably practicable
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a

benefit and why not), including information about their internal dispute resolution procedure

- To inform the Administering Authority of all such decisions made
- To provide the Administering Authority with such information it requires so it can carry out its functions including as a minimum by the end of June each year the following information in relation to any person who has been an active member of the scheme in the previous year:
  - name and gender
  - date of birth and national insurance number
  - a unique reference number relating to each employment in which the employee has been an active member
  - in respect of each individual employment during that year:
    - the dates during which they were a member of the scheme
    - the normal pensionable pay received and employee contributions paid
    - the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
    - Full Time Equivalent pay for pre April 2014 service
    - the normal employer contributions paid
    - any additional employee or employer contributions paid
    - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)

3.3.2 Administering Authority Responsibilities:

- To decide the amount of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to Administering Authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and Administering Authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

3.4. Regulation 59(1) enables an LGPS Administering Authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties, by setting out local standards which often go beyond the minimum requirements set out in overriding legislation as outlined above, and which the Administering Authority and employers should comply with. The statement can contain such of the matters mentioned below as they consider appropriate:-

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the Administering Authority and the employers are expected to achieve in carrying out their functions under the LGPS by-
  - (i) the setting of performance targets;
  - (ii) the making of agreements about levels of performance and associated matters; or
  - (iii) such other means as the Administering Authority consider appropriate;
- Procedures which aim to secure that the Administering Authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the Administering Authority and the employers to each other of information relating to those functions.
- The circumstances in which the Administering Authority may consider giving written notice to an employer on account of that employer's unsatisfactory performance in carrying out its functions under the LGPS Regulations when measured against the desired levels of performance.
- The publication by the Administering Authority of annual reports dealing with—
  - (i) the extent to which the Administering Authority and the employers have

achieved the desired levels of performance, and

(ii) such other matters arising from its pension administration strategy as it considers appropriate

- Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.

3.5. Regulation 59(2) (e) allows an Administering Authority to recover additional costs from an employer where, in its opinion, they are directly related to the poor performance of that employer. Where this situation arises, the Administering Authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

3.6. In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of the Fund's employers as well as to the Secretary of State. It is a requirement that, in preparing or revising any pension administration strategy, that the Administering Authority must consult the employers and such other persons as it considers appropriate.

3.7. Both the Administering Authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

3.8. This statement, therefore, sets out the information required in accordance with regulation 59 and forms the basis of the day-to-day relationship between Cornwall Council as the Administering Authority and the employers of the Fund. It also sets out the circumstances where additional costs will be incurred as a result of the poor performance of an employer, together with the steps that would be taken before any such costs arose.

4 Our Administration Aims and Objectives

4.1. The purpose of this strategy statement is to set out the quality and performance standards expected of Cornwall Council in its role of Administering Authority and its separate role as employer, as well as all other employers within the Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the employers and the Administering Authority. Our key objectives relating to administration are as follows;

- Provide a high quality, seamless, informative, timely and customer focused administration service to the Fund's stakeholders.
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately, with the focus on a 'digital first' approach.
- Be accountable and take responsibility for our actions.
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.
- Maintain accurate records and ensure data is protected and has authorised use only.
- Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.

4.2. Our separate Communications Policy has a number of specific objectives relating to how we communicate with our stakeholders. This is available on our website: Communications Policy

5 Communication

5.1 Good communication reminds, or alerts, employees to the value of the LGPS which aids recruitment, retention and the motivation of the workforce and negates misleading media information. Effective communication between an Administering Authority and its Fund employers reduces errors, improves efficiency and leads to good working relationships.

5.2 Where areas of improvement are identified from benchmarking or performance monitoring as indicated in the above section, our Employer Liaison Officer (see below) and/or Communications and Employer Training Officer will be responsible for working closely with the employers in improving the identified weaknesses.

5.3 As part of the review process any new procedures or practices introduced will be kept under review to monitor achievement.

5.4 Communication with Employers

5.4.1 Employer key contact officers and meetings

Each employer in the Fund will designate a named individual to act as their key contact officer; this individual will be the main contact with regard to any aspect of administering the LGPS and the employer will ensure they keep the Administering Authority aware of the contact details for that person.

Our Employer Liaison Officer (and/or Communications and Employer Training Officer) will contact, and where relevant, meet with the employer key contact officer to discuss any issues relating to the LGPS and/or raise any issues around the performance of the employer or services provided by the Administering Authority. Meetings will be arranged if necessary (particularly if specific issues around the performance of the employer arise). The contact details for the Employer Liaison Officer and Communications and Employer Training Officer are as follows:

- Employer Liaison Officer - pensions@cornwall.gov.uk and 01872 322322 option 2

5.4.2 Employer Guidance

The Employer Guidance will be maintained on the Cornwall Pension Fund website. It will outline all the key responsibilities and processes that must be carried out by each employer as well as specifying the format of all information to be provided. An e-mail will be issued to all employers when this guidance is updated, and all new employers will be provided with a link to this guidance when they join the Fund.

5.4.3 Newsletters

In addition to the employer guide, the Fund will also issue a periodic newsletter to employers, bringing to their attention areas of performance or quality where improvements were identified, and the steps taken to address them. They will also include information relating to changes to scheme rules and employer procedures or responsibilities associated with them. These will be issued by e-mail as and when required.

5.4.4 E-mail Updates

Other information and procedural requirements, such as the annual year-end procedures, will be disseminated by e-mail.

5.4.5 Training sessions

The Fund will provide training to scheme employers as and when required or on request from the scheme employer. All new employers in the Fund will also be provided with training. Employers will be expected to attend any such training, particularly where significant performance issues have been identified.

5.4.6 Employer forums

The Fund will host an employer forum periodically to which all employers will be invited. The forum will include updates on recent developments within the LGPS or pensions generally, as well as to report and review the performance of the Pension Fund.

5.4.7 Employer specific events

The Communications and Employer Training Officer and Pension Benefits Team will also be happy to attend any employer specific events to assist employers to understand their responsibilities.

5.5 Information for Scheme Members:

5.5.1 Website

The Fund's website www.cornwallpensionfund.org.uk contains information about the Fund and the LGPS. More detailed information can be obtained at www.lgpsmember.org

5.5.2 Member Self Service

The Fund have introduced an on-line self-service facility called My Pension Online, which will give members a more intuitive access to their own pension records, and this 'digital first' initiative should eventually result in fewer enquiries being dealt with by the Pension Benefits Team, as members can resolve many issues themselves online.

5.5.3 Annual Benefit Statements

These statements are sent annually to all active and deferred scheme members. These are posted directly to members, with the intention to move these to My Pension Online as the take up of this online facility increases.

5.5.4 Newsletters

The Fund also issues a periodic newsletter to scheme members, bringing to their attention information such as changes to scheme rules. These are usually issued with annual benefit statements, the website and via My Pension Online.

5.5.5 Individual Scheme member meetings

One to One meetings are available with a member of the Pension Benefits Team as required at Cornwall Council offices.

5.5.6 Pension Presentations

Presentations are given to staff, managers, new employees etc. on pension related matters including as part of induction and pre-retirement sessions on request. The Communications and Employer Training Officer can tailor trainings sessions to the member requirements.

5.5.7 Helpline and email

Scheme members can contact the Pension Administration Team directly using the following contact details:

Email: pensions@cornwall.gov.uk

Telephone helpline: 01872 01872 322322 option 3

6 Delivery of Administration

6.1 Cornwall Council has delegated responsibility for the management of the Pension Fund to the Pensions Committee. The Pensions Committee has delegated some responsibilities to the Chief Operating Officer. Full details are set out in the Governance Policy Statement on our website https://www.cornwall.gov.uk/jobs-and-careers/cornwall-pension-fund/investments/regulatory-statements/

6.2 Operationally, the administration of the Fund is undertaken 'in-house' within Cornwall Council. Most LGPS administering authorities provide the administration service from internal teams, although some have outsourced (or partially outsourced) their administration, and some utilise shared service administration arrangements across more than one Fund. At this point in time, Cornwall Council believes in-house administration is the most appropriate method for ensuring the objectives of the Fund are met.

7 Performance Standards and Responsibilities

7.1 Quality

7.1.1. Local Standards

The legislative and regulatory standards are set out in Section 3. On top of these, the Administering Authority and employers will ensure that all functions/tasks are carried out to agreed local quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer guide
- information to be provided in the required format and/or on the appropriate forms contained within the employer guide and on our website
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy by an appropriately trained member of staff
- information provided or actions carried out to be authorised by an agreed signatory, and
- actions carried out, or information provided, within the timescales set out in this strategy document.

7.1.2. Secure data transfer

The Administering Authority and employers will follow Cornwall Council's data security guidelines when sending any personal data. This means that if data is sent by email, it should be sent using a secure system such as Egress and if this is not possible the data should be sent encrypted using Winzip or equivalent, with the password supplied separately. In late 2022, the Fund started the rollout of i-Connect, a secure facility for employers to submit their monthly membership data to the Fund. The Fund has set a target of 100% uptake of all employers to use i-Connect by the end of April 2023. Any employers that are not "onboarded" to i-Connect by this date, will be contacted by the Employer Liaison Officer to encourage their participation by no later than December 2023.

7.1.3. Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the Administering Authority and the employers in the Fund. However, there are ways in which they will be subject to elements of scrutiny or oversight:

Audit - The Fund will be subject to a regular annual audit of its processes and internal controls. The Administering Authority and the employers will be expected to fully comply with any reasonable requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by Cornwall Council and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board, the national Scheme Advisory Board and the Pensions Regulator – The Public Service Pensions Act 2013 introduced greater oversight through these entities. As a result, the Local Pension Board of the Cornwall Pension Fund was established in July 2015. In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and the employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator. Any recommendations made by any of these entities will be considered by the Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

7.2. Timeliness and accuracy

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements.

For the avoidance of doubt "accuracy" in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is either contradictory or which we need to query.

The target service standards below relate to a date of event being either the date the member started or left the Fund, or when relevant details changed such as commencing a period of long-term absence. However, where information is required in order to carry out that responsibility, the target service standard is from the date of receipt of all relevant information.

These locally agreed performance standards for the Fund are set out in the following tables. This table isn't an exhaustive list of the Administering Authority's and employers' responsibilities. Employers' responsibilities are provided in more detail in the Employers' Guide. Target standards shown in ***bold italics*** will be monitored and reported on.

New Appointments	
Employer's responsibility	**Target Service Standard**
To ensure that pensions information is included as part of any induction process	As required
To provide each new employee with basic scheme information	Within one month of start date
Administering Authority's Responsibility	
To provide employers (on request) with appropriate information for inductions	Within 10 working days of request

New Scheme Members	
Employer's responsibility	**Target Service Standard**
For NON i-Connect onboarded employers - provide new members with Election form	Within 10 working days of start date
For i-Connect onboarded employers - provide new members details via i-Connect	Include in the next monthly data submission i.e. by 19th of the following month of the member start date
Decide and ensure the correct employee contribution rate is applied	Immediately on joining in line with employer's policy, and each April thereafter (as a minimum)
Send a Notification of Joining the LGPS to a scheme member	Within 10 working days of start date
Provide new starter information to the Administering Authority for each new employee joining the LGPS. Where there is more than one contract of employment with the same employer, separate notifications of those employments will be required.	Within 1 month of start date or for i-Connect onboarded employers: Include in the next monthly data submission i.e. by 19th of the following month of the member start date
Forward completed New Entrant (non i-Connect employers) and Election forms completed by scheme members to the Administering Authority	Within 5 working days of receipt. For i-connect onboarded employers: include in the next monthly data submission
Administering Authority's Responsibility	
Provide new members with scheme guides	Within 2 months of start date
To accurately record and update member records on the pension administration system	Within 5 working days of receipt of data
To apply for any transfer value details from a previous fund or scheme	Within 5 working days of receipt of request
To send a Notification of Joining the LGPS to a scheme member for an in-house payroll	Within 20 working days of receipt of data from employer
To send a Notification of Joining the LGPS to a scheme member for an external payroll	Within 10 working days of receipt of data from employer

Appendix

Changes in circumstances	
Employer's responsibility	**Target Service Standard**
Arrange for reassessment of employee contribution rate in line with employer's policy	If applicable, as per employer's policy
Notify the Administering Authority of any eligible employees who opt out of the scheme within three months of appointment.	Within 10 working days of receipt of opt-out form. For i-connect onboarded employers: include in the next monthly data submission
Send a Notification of Change (or equivalent) if legally required to a scheme member	Within 20 working days of change
Notify the Administering Authority of all other relevant changes in the circumstances of employees	Within 1 month of change For i-connect onboarded employers: include in the next monthly data submission
Refund any employee contributions deducted in error, or where the member opts out in writing within 3 months with no previous LGPS membership.	Month following the month of election
Notify the Fund of any periods of unpaid leave	Within 1 month of the member returning to work
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days of receipt of data
To send a Notification of Change (or equivalent) if legally required	Within 15 working days of receipt of data

Retirement Estimates (including ill-health)	
Employer's responsibility	**Target Service Standard**
Notify the Fund when a member is due to retire, including as accurate assessment of final pay as possible and reason for retirement (ensuring authorisation and available discretionary power where appropriate)	As early as possible and no later than 15 working days before date of retirement
Administering Authority's Responsibility	
Providing quotations on request for retirements within 12 months of request	***Within 20 working days of request***
Providing provisional statement of retirement benefits for deferred members	2 months before normal retirement date

Actual Retirements (including ill-health)	
Employer's responsibility	**Target Service Standard**
Notify the Fund when a member leaves employment, including an accurate assessment of final pay	Within 20 working days of leaving. For i-Connect onboarded employers: Include in the next monthly data submission. Also, for ill-health retirements, notify the Fund separately once a decision has been made on the award of ill-health benefits.
Send a Notification of Entitlement of Benefit if legally required to a scheme member (including determining tier of ill-health retirement if applicable)	No later than 10 working days before date of retirement
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 10 working days of receipt of data
Notification of amount of retirement benefits and payment of tax free cash sum	***Within 10 working days of receipt of fully completed claim forms from member or date of leaving whichever is later***
Notification of amount of recalculated retirement benefits and payment of any balance tax free cash sum following updated information	Within 10 working days of receipt of information

Ill-Health Retirements (additional responsibilities)	
Employer's responsibility	**Target Service Standard**
Appoint a qualified independent medical practitioner in order to consider all ill health retirement applications, and agree this appointment with the Fund.	Within one month of becoming an employer within the Fund
To keep a record of all Tier 3 ill-health cases and to review these cases after 18 months	
Notify the Fund of the results of any review of Tier 3 ill-health cases with appropriate information to allow the Fund to recalculate benefits if necessary	Within 5 working days of receiving results of review
Send a Notification of Entitlement of Benefit (or change in benefit) to a scheme member following the review of his/her Tier 3 ill-health benefits	Within 5 working days of receiving results of review
Administering Authority's Responsibility	
To notify employers prior to scheduled discontinuation of benefit payments, and before updating the member records to "pensioner with deferred benefits".	3 months prior to scheduled discontinuation date

Members leaving before retirement	
Employer's responsibility	**Target Service Standard**
Notify the Fund of the member's date of (and reason for) cessation of membership, and all other relevant information.	Within 10 working days of leave date For i-Connect onboarded employers: Include in the next monthly data submission
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 10 working days of receipt of data
To inform members who leave the scheme (and are not eligible for immediate benefits) of their options and their deferred benefit or refund entitlement as applicable	Within 20 working days of receipt of data
Provide a refund of contributions where requested	Within 20 working days of receipt of request
Provide a statement of current value of deferred benefits on request	Within 10 working days of receipt of request

Death Benefits	
Employer's responsibility	**Target Service Standard**
Notify the Fund of the death of a member and provide details of next of kin where available	Within 5 working days of notification. For i-Connect onboarded employers: Include in the next monthly data submission AND notify the Fund separately within 5 working days of notification.
Administering Authority's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	Within 10 working day of notification
Calculate and notify dependant(s) of amount of death benefits	***Within 10 working days of receipt of all relevant information***
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	***Within 10 working days of receipt of all relevant information***

Appendix

Transfers	
Employer's responsibility	**Target Service Standard**
Notify the Fund if the employer intends to outsource services that will involve TUPE transfers of staff, and work with the Fund to ensure an admission agreement is put in place and complied with or a bulk transfer arranged.	Initial notification within 5 working days of becoming aware of potential outsourcing
Administering Authority's Responsibility	
Liaise with new provider to arrange admitted body status	Within 5 working days of receipt of notification from scheme employer.
Obtain transfer details for transfer in, and calculate and provide quotation to member	***Within 20 working days of receipt of information***
Request transfer value upon acceptance of transfer in	Within 10 working days of receipt of acceptance
Notify scheme member of benefits purchased by transfer in on receipt of payment	Within 10 working days of receipt of payment
Provide details of transfer value for transfer out, on request	***Within 20 working days of receipt of request***
Provide payment of transfer value to appropriate recipient.	Within 10 working days of receipt of payment request

Additional Benefits (APCs and AVCs)	
Employer's responsibility	**Target Service Standard**
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election. For i-Connect onboarded employers: Include in the next monthly data submission as appropriate
Administering Authority's Responsibility	
To provide information on APCs / AVCs on request to members and employers.	Within 10 working days of request

Various Financial Obligations	
Employer's responsibility	**Target Service Standard**
Electronically pay the Fund all employee contributions deducted from payroll and all employer contributions.	By 22nd of the month following the month in which contributions were deducted from pay. For i-Connect onboarded employers, ensure that this is aligned with your monthly membership data submission
Pay all rechargeable items to the Fund, including additional fund payments in relation to early payment of benefits.	Within 20 working days from receiving invoice
Pay all additional costs to the Fund associated with the unsatisfactory performance of the employer	Within 20 working days from receiving invoice
Pay all additional i-Connect onboarding costs to the Fund i.e. changing pension reference numbers, changing payroll numbers	Within 20 working days of receiving invoice
Administering Authority's Responsibility	
To allocate the received contributions to each employer's cost centre	Within 5 working days of receipt of contributions
Issue invoice in relation to additional fund payments in relation to early payment of benefits	Within 10 working days of retirement date (or information being received if later)
Issue invoice in relation to any additional i-Connect onboarding costs	Within 10 days of completing the relevant additional work
Inform the employers of any new contribution banding	Within 5 working days of receipt of information
Notify member of calculation and new value of pension following annual pensions increase	No later than 2 working days after payment of revised pension

Annual Return, Valuation and Annual Benefit Statements	
Employer's responsibility	**Target Service Standard**
For NON i-Connect onboarded employers - Provide the Fund with year-end information to 31 March each year, and any other information that may be required for the production of Annual Benefit Statements.	By 30 April annually
For i-Connect onboarded employers – Provide the Fund with monthly membership and pay information	By 19th of each month
Administering Authority's Responsibility	
For NON i-Connect onboarded employers - Process employer year end contribution returns	Within 2 months of receipt of data
For i-Connect onboarded employers - process employer data and membership returns including "offloading" to the wider Pension Benefits Team to action or calculate any pension benefits	Within 1 month of receipt of data
Produce annual benefit statements for all active and deferred members.	***By 31 August each year in line with LGPS regulations timescales***
Provide information to the Actuary (or GAD as appropriate) for both the actuarial valuation and for accounting purposes.	As agreed between the Fund and the Actuary.
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	Within 5 working days of receipt of report

Appendix

General	
Employer's responsibility	**Target Service Standard**
Confirm a nominated representative to receive information from the Fund, and to take responsibility for disseminating it within the organisation.	By effective date of admission to the Fund or within 5 working days of previous representative leaving
Formulate, publish and review policies regarding all discretions that the employer may exercise, and provide a copy to the Fund.	Within 3 months of joining the Fund and also provided to Administering Authority every 3 years
Respond to enquiries from the Fund.	Within 10 working days of receipt
Distribute any information provided by the Fund to members / potential members	Within 10 working days of receipt
Put in place a Stage 1 Internal Dispute Resolution Procedure	Within 3 months of joining the Fund and before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Administering Authority's Responsibility	
Arrange for the setting up of an admission agreement where required	Within 3 months of all information being provided
Publish and keep up to date the Scheme Members' Guide and Employers' Procedural Guide.	Updates made within 20 working days of any legislation changes
Publish and keep up to date all forms that members, prospective members and employers are required to complete.	Updates made within 10 working days of any legislation changes
Publish the Fund's annual report and accounts and any report from the auditor	By 1 December annually
Provision of other responses to general enquiries from scheme members and employers	***Within 10 working days of receipt***
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)

Pension Payments	
Employer's responsibility	**Target Service Standard**
Issue pension payments to designated bank accounts	To arrive on payment due date
Issue payslips to home addresses where net pension payment varies by more than £5 from the previous month	Posted so as to arrive on the payment due date
Investigate returned payments and action appropriately	Within 10 working days of payment being returned
Respond to pensioner queries in writing	***Within 10 working days of receipt***
Implement a change to pension in payment	***By next payroll period***

For the avoidance of doubt, date of receipt of anything by the Administering Authority is deemed to be the same day where receipt is before 5pm and is deemed to be the following day when receipt is after 5pm.

8 Improving Employer Performance (Where Necessary)

8.1. The Employer Liaison Officer (and the Communications and Employer Training Officer, as appropriate) will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

8.2. Where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and /or unwillingness is shown by the employer to resolve the identified issue, the following sets out the steps we will take in dealing with the situation in the first instance:

- The Employer Liaison Officer will write to the person nominated by the employer as their key point of contact, setting out the area(s) of poor performance.
- The Employer Liaison Officer will meet with the employer to discuss the area(s) of poor performance and how they can be addressed.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, the Employer Liaison Officer will consult with the Data and Employer Manager, Pension Benefits Manager and Head of Pensions and if considered appropriate, will issue a formal written notice to the employer setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- The Employer Liaison Officer will clearly set out the calculations of any loss or additional costs resulting to the Fund / Administering Authority, taking account of time and resources in resolving the specific area of poor performance; and
- The Fund will make a claim against the employer, setting out the reasons for doing so, in accordance with the Regulations.
- The employer will be offered the option of attending a specific training course hosted by either the Administering Authority or an external organisation in order to improve performance, as an alternative to paying any financial penalty.
- The Fund will consider whether a material breach has occurred which requires a report to The Pensions Regulator.

8.3 Circumstances where the Administering Authority may levy costs associated with the employer's poor performance

Cornwall Pension Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. Cornwall Pension Fund will also work with them to ensure that overall quality and timeliness is continually improved.

The Regulations provide that an Administering Authority may recover from an employer any additional costs associated with the administration of the scheme incurred as a result of the unsatisfactory level of performance of that employer. Where an Administering Authority wishes to recover any such additional costs, they must give written notice stating:-

- The reasons in their opinion that the employer's level of performance contributed to the additional cost;
- The amount the Administering Authority has determined the employer should pay;
- The basis on which this amount was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

Any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance will be recovered from the employer. The circumstances where we will recover such additional costs from the employer include:

- persistent failure to provide relevant information to the Administering Authority, scheme member or other interested party in accordance with specified performance targets (as a result of either quality of information, format of information or timeliness of delivery)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- instances where the performance of the employer results in fines being levied against the Administering Authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body.

- Payment of contributions by cheque rather than electronic transfer unless otherwise agreed by the Administering Authority

In addition, interest will be charged on late contributions in line with the LGPS Regulations.

8.4. Calculation of costs incurred

For a persistent failure to resolve an isolated case satisfactorily we will recharge costs from the point in time at which a formal letter is written to the employer until the case is resolved, at a rate of £120 for each hour an officer spends trying to resolve the matter, exclusive of VAT.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, we will recharge the additional costs due to the employer's unsatisfactory performance at the rate of £120 per hour spent, exclusive of VAT, from the point in time that the formal letter was sent, until performance improves.

For payment of contributions by cheque, unless otherwise agreed by the Administering Authority, the Fund will charge £50 plus VAT per cheque processed.

Where the performance of the employer results in fines or additional costs being levied against the Fund we will recharge the full costs it has incurred to the relevant employer.

All such costs or fines will be levied against the scheme employer, even where the fault may lie with an external provider appointed by the scheme employer.

9 Performance Measures And Improvement Plans

We will monitor performance as Administering Authority in carrying out our responsibilities in relation to the scheme, and will regularly monitor performance by benchmarking against other administering authorities, using benchmarking clubs and other comparators available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time. We will monitor success against our administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, seamless, informative, timely and customer focused administration service to the Fund's stakeholders.	Key target service standards (highlighted in table above) achieved in 90% of cases*. Annual satisfaction surveys with employers and random scheme members achieving 80% of scores in positive responses in these areas.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately.	Cost per member is not in upper quartile when benchmarked against other Councils.
Be accountable and take responsibility for our actions	Annual satisfaction surveys with employers and scheme members achieving 80% of scores in positive responses in these areas.
Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.	Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months. Key target service standards (highlighted in table above) achieved in 90% of cases*.
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	Mainly positive results in audit and other means of oversight/scrutiny. Key target service standards (highlighted in table above) achieved in 90% of cases*.
Maintain accurate records and ensure data is protected and has authorised use only.	Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months No breaches of data security protocols Mainly positive results in audit and other means of oversight/scrutiny
Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.	As outlined against the objectives above.

*We also expect employers to meet targets in 90% of cases.

An overview of our performance against these objectives and in particular our target standards for turnaround times will be reported within the Fund's annual report and accounts.

Where performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Administering Authority will formulate an improvement plan which will be incorporated into the Fund's annual Business Plan. This will be reported to the Fund's Pensions Committee together with an ongoing update on achievement against the improvement plan.

10 Key Risks

The key risks to the delivery of this Strategy are outlined below. The Head of Pensions, the Pensions Benefits Manager and the Pension Investment Manager will work with the Pensions Committee in monitoring these and other key risks and considering how to respond to them.

- Changes in government / legislative requirements meaning responsibilities are changed / removed / added
- The administration system provider not providing a robust system or not making changes to the system in a timely manner
- Key staff at the Administering Authority leaving and not being replaced with staff with similar experience, and without appropriate transitional handover
- Pensions staff not having suitable resource and/or knowledge to undertake their responsibilities
- Employers not having suitable resource and/or knowledge to understand their responsibilities
- Government or other pressure to outsource or merge pension teams
- Employers not accepting or being aware of their responsibilities in relation to the Fund
- Lack of engagement by the Pensions Committee on administration matters

Appendix 2

Responsible Investment Policy

October 2021

Responsible Investment Policy

The Cornwall Pension Fund's Pensions Committee ("Committee") has a fiduciary duty to act in the best interest of its members. To do this effectively the Committee recognises the importance of managing Environmental, Social and Corporate Governance ("ESG") issues, including climate change, that are financially material to the Fund, both in terms of opportunities and risks. What is more, there is a growing urgency with respect to long-term sustainability issues, particularly climate change. Therefore, it is imperative that ESG considerations and active ownership are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

The Fund has made significant progress in evolving its policies on responsible investment and climate change, since the previous version of this policy was published in March 2020. We are continuing to focus on this as a key priority for the Fund, and we continue to aspire to be at the forefront of responsible investment best practice.

As part of building upon our aspirations, the Fund has signed up to a number of commitments and affiliations to support us on our journey, these are detailed in this policy. One of the pivotal commitments made this year, was the Fund being in the first wave of signatories to sign up to the ambitious Institutional Investors Group on Climate Change (IIGCC) Net Zero Asset Owner Commitment.

As part of this Net Zero Asset Owner Commitment, the Fund has made a number of commitments; including to achieve net-zero portfolio greenhouse gas emissions by 2045, and a number of actions which are necessary to enable this commitment to be achievable. Further information on the Fund's Net Zero commitments and pathway can be found in the Net Zero Commitment section on page 175.

The Committee has also revisited its beliefs and has updated its policies and processes, which have developed significantly since the previous version of the policy was published. The Fund has also met its target commitment to sustainable and low carbon assets (and has now ratchetted up its commitment – see page 175), and has reduced the carbon intensity of its equity portfolios. Further information on this can be found in our Responsible Investment Outcomes Report 2020-21. The Committee recognises that ESG and stewardship are rapidly developing topics and will continue to develop its understanding, approaches, and ambition in these areas.

The Committee recognises the importance of working collaboratively with the Brunel Pension Partnership ("Brunel") to make the Fund's ESG approach effective.

The Committee defines Responsible Investment ("RI") as the integration of ESG issues into its investment processes and stewardship (or active ownership) practices in the belief this can positively impact financial performance over the long term.

This policy sets out the Committee's approach to RI and also details the actions the Committee, Brunel Pension Partnership ("Brunel"), and other external providers take on behalf of the Fund's members and other stakeholders, to enhance long-term risk adjusted returns and protect the Fund from ESG and reputational risks.

Appendix

Responsible Investment Beliefs

The Committee holds the following RI beliefs:

Responsible investors	We believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society.
Long time horizon	We are investors with a long time horizon. This requires us to consider long-term sustainability issues, both in terms of opportunities and risks, as relevant to the Fund and its investment strategy.
ESG integration	ESG issues can affect the performance of investment portfolios and should therefore be considered throughout the Fund's investment process.
Stewardship[1]	Good stewardship can enhance long-term portfolio performance and is therefore in the best interests of its members. Voting is an integral part of the responsible investment and stewardship process.
Corporate governance[2]	The Fund is a long-term active investor that takes seriously its role in fostering stewardship. We believe that sound corporate governance in the companies in which we invest contributes to long-term value for our members.
Climate change as a systemic risk	Climate change presents a systemic and material risk to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our beneficiaries, employers, and our investment portfolio.
Climate change and the Paris Agreement	Investing to support the Paris Agreement goals that keep a global temperature rise this century to well below 2^0C relative to pre-industrial levels, is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of our beneficiaries, employers, and our portfolio holdings.

[1] Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole." – The UK Stewardship Guide

[2] Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled.

Affiliations and Initiatives

To deliver our Responsible Investment policy, the Fund is active in supporting a number of responsible investment initiatives. We are committed to adopting the recommendations of the Taskforce for Climate-related Financial Disclosure ("TCFD"), and we published our first TCFD Report in 2021. The Fund is aiming to become a signatory to the 2020 UK Stewardship Code, making its first submission in 2021. The Fund is a member of the LAPFF. The Fund is a member of the Institutional Investors Group on Climate Change ("IIGCC"), and it also supports the Just Transition and the Transition Pathway Initiative ("TPI"). In addition, the Fund supports Brunel as a signatory to the UN supported Principles for Responsible Investment ("PRI"). More information can be found in the table below.

Brunel Pension Partnership	One of eight national Local Government Pension Scheme Pools. The partnership manages the investments of 10 funds (including Cornwall Pension Fund), who each own 1\10th of the pool company.
Local Authority Pension Fund Forum (LAPFF)	The UK's largest collaborative forum for collective engagement, covering £300bn in collective assets under management.
Federated Hermes	Hermes Equity Ownership Services (EOS) are the Partnership's engagement and voting services provider.
Financial Reporting Council (FRC)	The FRC regulates auditors, accountants and actuaries, and set the UK's Corporate Governance and Stewardship Codes. They promote transparency and integrity in business. The Fund are submitting their submission to be become a signatory of the FRC 2020 UK Stewardship Code.
Taskforce for Climate-related Financial Disclosure (TCFD)	The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
Institutional Investors Group on Climate Change (IIGCC)	The IIGCC is a forum for investors to collaborate on climate change. IIGCC's mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policymakers and investors. IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change. The Fund is a signatory of both of the IIGCC's Net Zero Investor Framework (NZIF) and Investor Expectations of Banks initiatives.
UN supported Principles for Responsible Investment (PRI)	United Nations-supported and investor-led global coalition promoting the incorporation of environmental, social and governance factors. Brunel was the first LGPS Pool to join.
Climate Action 100+	Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.
Transition Pathway Initiative (TPI)	Co-founded in 2016 by the Environment Agency Pension Fund and the Church of England National Investing Bodies. The initiative assesses how companies are preparing for the transition to a low-carbon economy and will form the basis for engagement with companies.
IIGCC Banking Initiative	The Fund is a signatory to the IIGCC Net Zero Investor Expectations of Banks initiative, as part of meeting its climate change commitment on the engagement of the banking sector. This initiative sets a list of investor expectations for how banks should demonstrate alignment with the goals of the Paris Agreement.
Investor Agenda – 2021 Global Investor Statement to Government on the Climate Crisis	The Fund is a signatory to the Investor Agenda 2021 Global Investor Statement to Government on the Climate Crisis. The statement was launched on 10th June 2021, with signatures from 457 investors representing over USD $41 trillion in Assets Under Management.
Diversity Project – Asset Owner Diversity Charter	The Fund is amongst the signatories, representing £1.08 trillion in assets under management, to declare support for a new Diversity Charter to tackle a lack of diversity across the fund management industry.

Administering Authority Policies

The officers of the Fund are employed by the administering authority of the Fund (Cornwall Council) and as such, the following policies apply to them in terms of day-to-day working practices.

Carbon Neutral Cornwall

On 22 January 2019 Cornwall Council declared a climate emergency. Following this the Council prepared a report outlining how to reduce carbon emissions towards becoming carbon neutral by 2030. In July 2019, the Cabinet approved the ambitious plan. Please see Appendix 4 for the full policy details.

Equality and Diversity

The Council has published its own corporate Equality and Diversity framework in order to help it deliver its challenging and ambitious improvement programme. Please see Appendix 4 for the full policy details.

Brunel Pension Partnership and Responsible Investment

As asset owners, the Fund sets its asset allocation and investment strategy. Since the introduction of pooling across the Local Government Pension Scheme, the Fund is no longer responsible for fund manager selection. This process is now handled by Brunel, who manage our investments in line with our strategic objectives. Brunel was formed in July 2017, and Cornwall, along with 9 other administering authorities, each own 10%. The 10 funds and the operator, Brunel Ltd, have a mutual commitment to building a financial system which is fit for a low carbon future and feel this commitment is pivotal to driving change together.

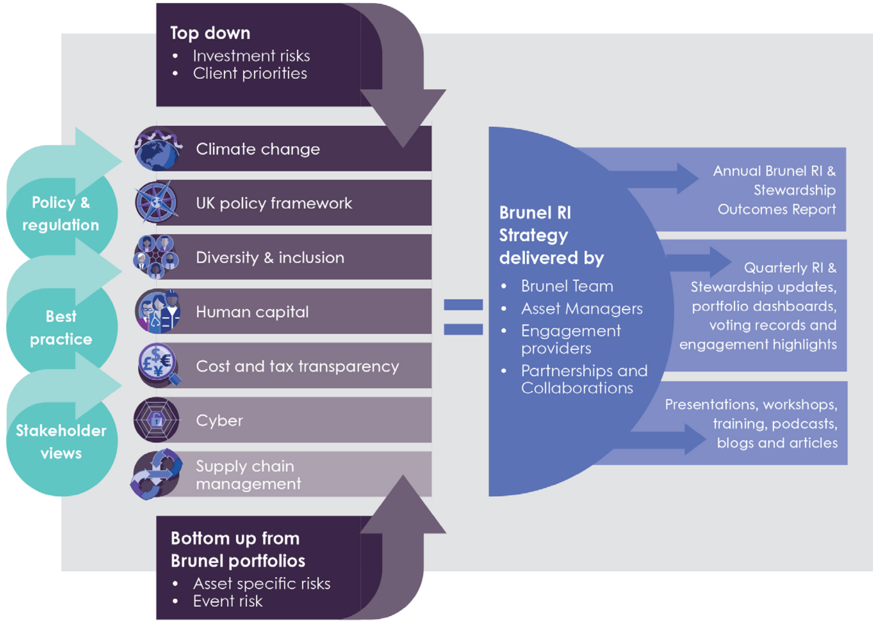
The Brunel Pension Partnership Investment Principles and its supporting responsible investment policies clearly articulate Brunel's commitment, and that of each fund in the Partnership and its operator (Brunel Ltd), to be responsible investors and as such recognise that ESG considerations are part of the process in the selection, non-selection, retention and realisation of assets. One of the principal benefits, which was outlined in the Brunel Pension Partnership business case, achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Brunel has published its Responsible Investment Policy Statement and other related policies, which lay out its approach in more detail. More information is on the Brunel website https://www.brunelpensionpartnership.org/

Seven Priority Themes

The Cornwall Pension Fund communicated its priorities and policies when Brunel's seven responsible investment priority themes were developed. The seven priority themes, as part of an integrated Responsible Investment process, are illustrated in the diagram below. Brief information on the seven priority themes is covered in Brunel's Responsible Investment Policy. Further detailed information is included in Brunel's Responsible Investment and Stewardship Outcomes Report.

Brunel RI & Stewardship Priorities



We review reporting outputs provided by Brunel to ensure that stewardship reporting is understandable, fair, balanced and to ensure that outputs meet reporting requirements.

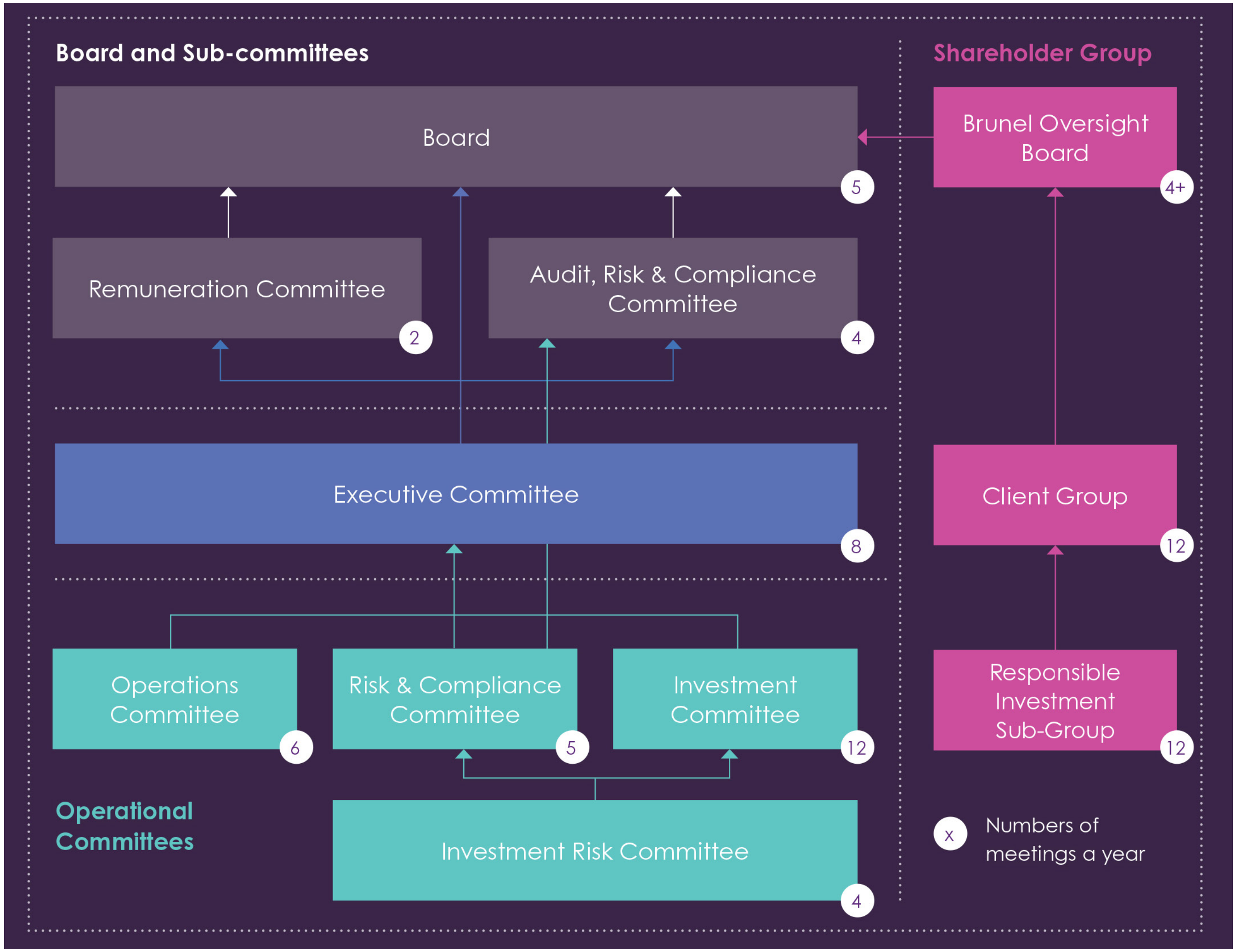
Brunel Governance

The Cornwall Pension Fund inputs into the development of Brunel's Responsible Investment Strategy + Policy, Climate Policy and Stewardship Policy through the Brunel Oversight Board, Brunel Client Group (officers from the local authority pension funds), and the Responsible Investment (RI) Sub-Group (officers of the funds and Brunel officers). See the chart below for an illustration of this structure.

Client Group provides oversight through monthly Responsible Investment updates and they also provide input by communicating their committee and beneficiaries emerging needs and concerns. In addition, the Responsible Investment Sub-Group meets monthly and acts as a forum for further discussions on Responsible Investment topics. The RI Sub-Group provides an opportunity for us to:

- Raise stewardship interests
- Share best practice with Brunel and amongst partner funds
- Provide insights on concerns, issues, and member perspectives
- Shape priorities of Brunel and EOS at Federated Hermes
- Review reporting outputs
- Access expertise
- Knowledge share and receive a deeper dive into topics of interest
- Consult on policy design and development

The Fund seeks assurance through formal structures such as our interactions as a Shareholder of Brunel, the Brunel Oversight Board, Client Group, the RI Sub-Group and ongoing reporting and presentations to the Committee, and other means that Brunel is fulfilling



the agreed policy commitments with regards to ESG integration.

Workshops are conducted where a deeper awareness or education on a particular topic is useful. In 2020, workshop topics included the requirements of the new Stewardship Code, and sustainability-based investment outcomes and benchmarks. The Brunel team also presents frequently at Committee, Client Group meetings, Brunel Investor Days and at dedicated responsible investment training events. These all provide a forum for the Fund to seek assurance or raise any areas of concern.

In 2020 the United Nations Principles for Responsible Investment (UNPRI) published a case study on

Brunel's client Sustainable Development Goals (SDG) workshop. The SDG's were used in workshop training exercises in order to raise the awareness of important ESG factors. These exercises were a useful way to encourage wider thinking about the SDGs as a tool for Strategic Asset Allocation (SAA) construction, identifying potential risks and opportunities and engagement. The Brunel Board regularly scrutinises Brunel's Responsible Investment strategy, which is overseen operationally by the Executive Committee. Further detail on the governance structure in place with Brunel can be found in their Annual Report and Financial Statements.

ESG integration - The Fund and Brunel

The Fund retains responsibility for setting its investment strategy and its ambitions on ESG and responsible investment. Brunel will be responsible for managing ESG issues on behalf of the Fund for the assets invested in its portfolios, in line with the agreed Brunel policies and consistent with the Fund's RI and ESG goals.

Each Brunel portfolio, across all asset classes, explicitly includes responsible investment and an assessment of how ESG considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing value in relation to each portfolio and its objectives. These considerations are taken into account when constructing the Brunel portfolios and in the selection, non-selection, retention and realisation of assets.

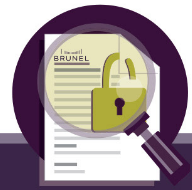
The Committee fully supports and actively encourages Brunel's commitment to working with managers in asset classes and strategies where ESG integration is less well developed (for example multi-asset credit and private debt) and to improve this over time through better practices and product innovation, using its scale, knowledge, and influence to help drive change.

As previously mentioned, the Fund seeks assurance through formal Brunel structures (see the Brunel Governance section on pages 173 and 174 of this policy). Responsibility for managing specific ESG risks, including climate risk, as they affect the Cornwall Pension Fund and Brunel, are explicitly incorporated into the role specifications of Brunel's Board, executives, and other key personnel. Brunel, on behalf of the Cornwall Pension Fund, expects appointed managers to weigh up and clearly demonstrate how Environmental, Social and Governance (ESG) risks and opportunities are imbedded into their investment process and how it is part of their wider evaluation of investment risk and return objectives, as opposed to treating them as a stand-alone concern.

Brunel has built its responsible investment approach on three pillars (see illustration below): to integrate

Responsible Investment Overview of ESG in action at Brunel





	To Integrate	To Collaborate	To be Transparent
Own Operations	• Board commitment • In all we do • Staff objectives	• Contributing to local and global community initiatives • Diversity and inclusion ambassadors	• Best practice own reporting including climate change, diversity and tax
Portfolio implementation	• All asset classes globally • Fully integrate into managers selection • Low carbon and sustainability portfolio options	• Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools	• Impact reporting • Positive case studies • Carbon and sustainability metrics
Responsible Stewardship	• Single voice • Active engagement	• Annual engagement plan • See Partnerships and Affiliations	• Proxy voting Policy and records • Pre-declaration on selective votes

sustainability criteria into its operations and investment activities; to collaborate with others across the industry and support effective policymaking; and to be transparent in its activities.

ESG Integration - Fund Managers and Companies

Brunel's manager selection process is central to the effective implementation of the Partnership's Responsible Investment, Stewardship and Climate policies. Managers must be able to clearly demonstrate how ESG is embedded into their investment process. Brunel also examines a manager's organisational culture and approach to teams, challenge, risks, and approach to stewardship. The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment, thus the manager selection criteria are determined specifically for each search.

Brunel's Asset Management Accord was designed to help clarify understanding and shape expectations in the implementation of the investment mandate awarded. The Accord captures not only the expectations of managers, but also the spirit of what they can expect from Brunel. It supports long-term sustainable finance and specifically calls on managers to work collaboratively with Brunel across five main areas: being long-term, communication, responsible investment+ stewardship, collaboration, and thought leadership + innovation.

Further details can be found here: Asset Manager Accord.

The Brunel Partnership expects companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models. Our expectation is that companies should:

- put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 2°C.
- disclose climate related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).
- include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged. As part of its manager selection and ongoing monitoring Brunel use data from the Transition Pathway Initiative (TPI) and carbon foot printing. Both these tools greatly inform portfolio construction and design.

Climate Change

The Committee recognises the commitments made by countries, regions, organisations and also local authorities such as Cornwall Council in relation to climate change. Climate change (and other long-term sustainability issues) present opportunities and risks that increasingly require explicit consideration by long-term investors.

Our climate change commitments

We are committed to:

- **Investing at least 30% of our portfolio** in sustainable/low carbon investments by 2025 (Was 15% by 2022 - which the Fund met).
- **Decarbonising our portfolio:**
  - Adopting a whole of Fund 2045 net zero target, with a total Fund carbon reduction target of 50% by 2030.
  - Adopting a transition leaders target of a 43% reduction by 2025 and 76% reduction by 2030 (versus 2020 baseline position) for our listed equity allocation, whilst recognising that the Fund has already achieved a 77% reduction in absolute emissions for the equity allocation between 2010 and 2020.
  - We will also track, monitor and report on the fossil fuel exposure within our equity portfolio and are committed to this being materially lower than the benchmark.
  - Developing a more detailed implementation plan for the listed equity portfolio and adopt integration (risk reduction), stewardship (transition capacity) and green targets for the portfolio.
  - Expanding net zero target setting to incorporate other asset classes, targeting a whole of Fund approach.
- **Assessing the strategic implications of climate change on an ongoing basis** by undertaking climate change scenario analysis. This analysis seeks to understand the climate impact on return at the total Fund and asset class level.
- **Adopting and reporting on the recommendations** of the Task Force on Climate-related Financial Disclosures ("TCFD").
- **Supporting Brunel in pressing the industry to make core benchmarks** more compatible with a below 2°C aligned scenario.
- **Urging Brunel to strengthen its engagement of the banking sector on their lending policies,** to phase out the provision of financial services

to energy companies and to utilities that are not aligned with the goals of the Paris Agreement and the latest science based evidence. N.B. The Fund became a signatory itself to the IIGCC Net Zero Investor Expectations of Banks initiative, to further demonstrate its commitment in this area.

Offsetting

A carbon offset is a reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for (or 'offset') an emission made elsewhere. For a pension fund to hit net zero, it needs not only to reduce emissions attributed to it because of the companies in which it invests, but also to take out of the atmosphere any of the remaining emissions caused by its investments – also known as offsetting.

We do not plan to offset at Fund level at this stage and will consider it later only as a last resort. This is in line with the IIGCC Net Zero Investment Framework which currently advocates as a general principle, for investors to not use purchased offsets at the portfolio level to achieve emissions reduction targets. The Net Zero Investment Framework also states that offsets should only be necessary where there are not technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.

Some companies in which we invest may offset, and some may provide offsetting opportunities to others. We will engage with these companies to encourage that offsetting be used only as a last resort, and that the focus should be on real world emissions reductions. Where offsetting is used, we think it should focus on proven nature-based solutions and use technology that is shown to be clean and viable.

Phase two of the IIGCC work will be assessing appropriate use of offsetting in specific sectors. We will use their findings to inform our future approach, alongside our ongoing review of the climate science and our understanding of the effectiveness of different offsetting approaches. This will also allow greater clarity in the future about how we may calculate the emissions our portfolio helps take out of the atmosphere.

Controversial Weapons

The Fund is supportive of Brunel's approach to controversial weapons investment. The Partnership will not invest in controversial weapons and expects all of their managers to invest in-line with the United Nations Global Compact.

Brunel's 2020-2022 climate change policy objectives

The Committee fully encourages and supports Brunel's 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy. **These are laid out below.**

Brunel's 2020-2022 Policy Advocacy objectives: We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. **Within this, we will focus particular attention on:**

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

Further details of Brunel's Climate Change policy are set out on its website: [Responsible Investment - Brunel Pension Partnership]

Net Zero Commitment

The Fund is a member of the Institutional Investors Group on Climate Change (IIGCC) which is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 300 members, mainly pension funds and asset managers, across

22 countries, with over €37 trillion in assets under management.

IIGCC's mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

In March 2021, the Fund became one of the first signatories of the IIGCC's Net Zero Investor Framework (NZIF). The framework offers investors support in ensuring their portfolios are aligned with net-zero emissions. By doing so, it underlines the commitment of all signatories to work in a comprehensive manner to help deliver on the goal of the Paris Climate Agreement to keep global warming below 1.5°C. The full Commitment can be found in Appendix 1

In researching how the Fund can achieve net zero and set decarbonisation targets consistent with this goal, the Fund has worked with Mercer and utilised Mercer's Analytics for Climate Transition (ACT) tool.

Given the relative infancy of methodologies and approaches for asset classes other than equities, the Fund has focussed on analysing only its listed equity portfolio at present (which represented approximately 31% of the Fund's assets, as at the date this analysis was done – 31st December 2020). The Fund will seek to incorporate further asset classes in future years, as the frameworks for analysing them develop. An action plan for this is included in the Incorporating Other Asset Classes section overleaf.

As part of achieving its Net Zero Commitment the Fund has:

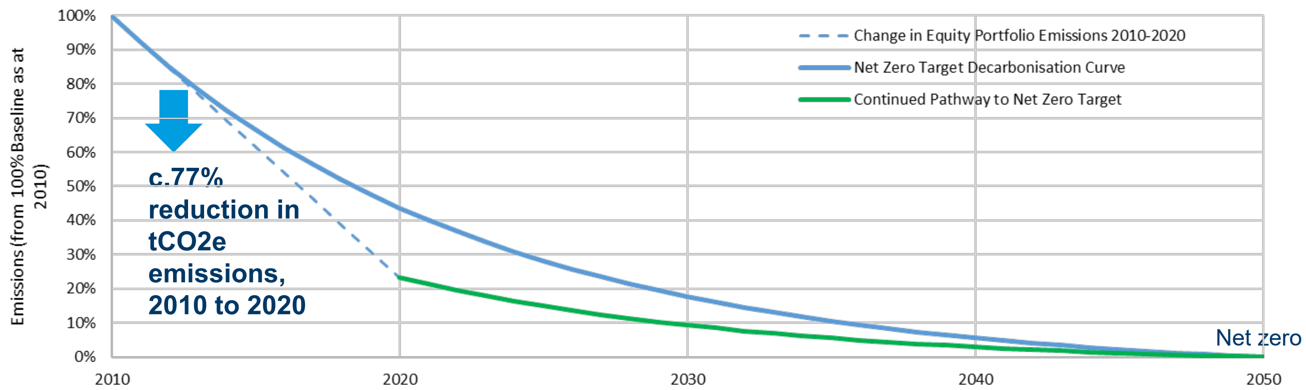
1. Adopted a whole of Fund 2045 net zero target, with a total Fund carbon reduction target of 50% by 2030;
2. Adopted a transition leaders target of a 43% reduction by 2025 and 76% reduction by 2030 (versus 2020 baseline position) for its listed equity allocation, whilst recognising that the Fund has already achieved a 77% reduction for the equity allocation between 2010 and 2020;
3. Raising the Fund's sustainable/low carbon allocation target to 30% (currently 15%) by 2025;
4. Committed to developing a more detailed implementation plan for the listed equity portfolio and adopt integration (risk reduction), stewardship (transition capacity) and green targets for the portfolio; and
5. Committed to expanding its net zero target setting to incorporate other asset classes, targeting a whole of Fund approach.

Progress to Date - Listed Equity

The Fund has analysed its progress to date for the Scope 1 and 2 emissions reductions of its listed equity portfolio (measured in tonnes of carbon dioxide equivalents, tCO2e). On an absolute basis, these have reduced by c.77% in the past decade from 2010 to 2020.

Absolute Emission Trend 2010 to 2020

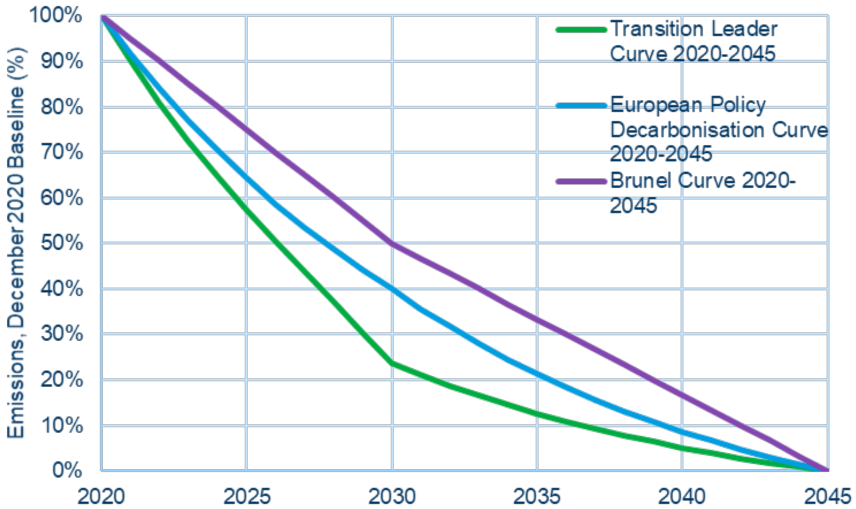
Trajectory (Listed Equity)



Target Setting - Listed Equity

Working with Mercer, three different potential decarbonisation curves were proposed, with the current Brunel targets shown for where the partnership is currently at (please note that this is the historic position and will be reviewed as part of the 2022 stocktake).

Emissions Reduction (%) needed to 2045 Net Zero	Transition Leader Targets	European Policy Targets	Brunel Targets*
2025	43%	36%	25%
2030	76%	60%	50%



*Assuming a linear pathway before and after the 50% reduction commitment by 2030

Transition Leaders: This is the most ambitious and seeks to front-end load emissions reductions based on a hypothetical IPCC 1.5^{0}C decarbonisation curve.

European Policy Curve: Aligning with the EU objective to achieve climate neutrality in 2050. The EU Policy curve is not necessarily aligned with a specific scientific target, but does set out to align with the Paris Agreement of a "well below 2^{0}C scenario".

Brunel Targets: 50% reduction in emissions by 2030 and to achieve net zero by 2050.

Whilst we have analysed Scope 1, 2 and 3 data, Scope 3 data quality concerns and current consensus (IIGCC) suggests total portfolio target setting based on Scopes 1 & 2 only.

The Fund has adopted a transition leaders target for its listed equity portfolio, with a 43% reduction by 2025 and 76% reduction by 2030 (versus 2020 baseline position) for its listed equity allocation, whilst recognising that the Fund has already achieved a 77% reduction in absolute emissions for the equity allocation between 2010 and 2020.

Incorporating Other Asset Classes

Below is the provisional timeline the Fund is aiming to work to, for other asset classes to be covered by the ACT analysis. For a number of the asset classes, the initial focus may be on disclosure over measurement or the use of proxies to estimate emissions, this is because the frameworks for analysing these asset classes are still being developed.

Asset class	Year
Listed Equity	2021
Property	2022
Infrastructure	2022
Private Equity	2022/23
Private Debt	2022/23
Diversified Growth	2022/23
Multi Asset Credit	2022/23
Social Impact	2022/23

Social Investments (Impact Investments)

Government guidance addresses the matter of "social investments"; meaning those that deliver a social impact as well as a financial return. The Government considers that social investments are appropriate for LGPS funds where the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund. See right for the return spectrum highlighting where these social/impact investments fit in.

As part of the 2021 annual investment strategy review, the Fund made a 5% allocation to Social Impact.

This allocation will invest in medium to long term illiquid opportunities and in one or more of the following asset classes: Real Estate (Property), Private Equity, Private Debt and Infrastructure.

This allocation will also look at investment opportunities in Cornwall, in addition to wider regional, national and potentially international opportunities. This will achieve diversification benefits but also ensure that any allocations made have an expected financial return that is aligned to the wider strategic requirements of the Fund.

An overarching philosophy of the Social Impact allocation will be that investments are defined by alignment to United Nations Sustainable Development Goals (UNSDG's), further details of which can be seen found in Appendix 3.

The return spectrum - Impact at the intersection of financial and non-market returns

Traditional Private Markets	ESG-focused	Impact Investments	Venture Philanthropy	Traditional Grant-making
• Include material environmental, social, and governance (ESG) factors in investment	• Avoid negatives: e.g. controversial weapons, UNGC, • Include positives: 'best-in-class'.	• Allocate to sustainability themed areas as e.g. renewable energy.	• Social purpose organisation which may become self-sustaining	• Social purpose institutions which will never generate a profit
Objective Market-rate financial return.	**Objective** Values alignment.	**Objective** Market rate return + positive 'impact'.	**Objective** Mission alignment below market rate return.	**Objective** Mission and values alignment.
Investors Traditional investors.	**Investors** Some institutional investors.	**Investors** Foundations, HNWIs, institutions.	**Investors** Foundations, family offices.	**Investors** Charities, DFIs, HNWI.

Diversity Project - Asset Owner Diversity Charter

The Cornwall Pension Fund was amongst the first set of signatories, representing £1.08 trillion in assets under management, to declare support for a new Diversity Charter to tackle a lack of diversity across the fund management industry.

The Diversity Charter offers a toolkit for analysing how asset managers are performing on diversity and inclusion – and where they can improve.

By signing up to the Asset Owner Diversity Charter, the Fund is committing to take account of diversity and inclusion records from fund managers when choosing new partners. Diversity questions will form part of the overall assessment scores for each bidder, meaning fund managers wanting to work with the Fund will have to disclose information and demonstrate real devotion on how they are tackling diversity and inclusion within their workforce.

Signatories also commit to including diversity as part of ongoing manager monitoring, a questionnaire will be provided to managers annually for completion. A key aim of the group was to create standardisation to improve disclosure. The charter questionnaire has been developed to be progressive and equip signatories to hold firms to account for ongoing progress. It goes beyond asking about the strategic approach, to identify how managers look at diversity and inclusion across five key areas; industry perception, recruitment, culture, promotion and leadership.

The charter is a multi-year project, the questionnaire will be refined over time to build in findings from leading initiatives such as the Socio-Economic Taskforce. A progress report will be produced a year from launch to highlight developing best practice and to equip signatories with ongoing engagement.

The charter is live on the diversity project website:

www.diversityproject.com/assetownerdiversitycharter

Cornwall Council's policy on Equality and Diversity can be seen at Appendix 4

Brunel's Diversity and Inclusion Commitment

We fully support Brunel's Diversity and Inclusion Commitments which seek to promote fair, diverse and inclusive business environments and practices across the companies in which we invest, as well as across their own operations. In the UK, Brunel advocate for continued development and endorse recommendations made in the Business, Energy and Industrial Strategy Committee report on gender pay gap reporting. Brunel work closely with the 30% Club and Diversity Project to promote diversity on Boards and within the talent pipeline. Brunel's commitment to these areas include the following:

- We expect UK companies to already have achieved a minimum of 30% female representation on Boards and 25% on their executive teams. If companies are not yet at these levels, we expect there to be a clear, credible plan to achieve them
- Within our own investment portfolios, we have established a baseline for monitoring and reporting the percentage of women on Boards.
- We encourage UK companies with below 250 employees to consider gender pay gap disclosure where practical. In the UK, we vote against the financial statements and statutory reports of qualifying companies (250 or more UK employees) that fail to disclose their gender pay gap
- We encourage our appointed managers to address and be transparent on gender pay gap and diversity statistics on an annual basis
- We vote against the financial statements and statutory reports of companies that provide inadequate disclosure on diversity and may escalate this to withdraw support for the chair's re-election
- We expect UK companies to disclose how they promote and encourage diversity and consider voting against the re-election of the chair of the nomination committee of businesses that are not on track to achieve the recommendations of the Parker review*

Within Brunel's own business they aim to promote diversity and inclusion at the highest level. Brunel has fewer than 250 employees and is not required to disclose our gender pay gap. However, they voluntarily disclose its gender pay gap data. In addition, Brunel seek to continue to improve their own approach to diversity and inclusion in line with best practice.

* UK Government, Department for Business, Energy and Industrial Strategy, The Ethnic Diversity of Boards, The Parker Review, November 2016.

Monitoring and Reporting Progress

Reporting on climate change is an area that is rapidly developing, and we are working with Brunel and other member funds to continue to improve the disclosures made in this area. We are supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2°C. The Fund is also involved with these initiatives, which enables it to ensure it maintains best practice and that it can support discussions in this area within the Partnership.

We currently undertake regular climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within our portfolio.

Officers report the responsible investment activity of the Fund, its investments, and the activity of Brunel, to the Committee on a quarterly basis through the Committee papers.

As the Fund's holdings transition into Brunel portfolios, the Fund will be publishing the following metrics and data, as relevant, for different asset classes and strategies:

- Carbon footprints
- Fossil fuel exposures
- Green and brown share (i.e. the proportion of its portfolios invested in areas such as renewable energy)
- Engagement and voting activities

The Fund uses its website as the primary method of communication: www.cornwallpensionfund.org.uk

Responsible Investment Outcomes Report

The Fund also publishes an annual Responsible Investment Outcomes Report. The report details the progress the Fund has made throughout the year in evolving its policies on responsible investment and climate change, and also the responsible investment work the Fund has done over the year, including progress made towards meeting our climate change commitments. The report also covers some of the progress that Brunel has made during the year with regards to responsible investment (including engagement examples).

The report is published on the Fund's website at: Responsible Investment - Cornwall Council

Task Force on Climate-Related Financial Disclosures (TCFD)

The Fund is also a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

The Task Force will consider the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.

The work and recommendations of the Task Force will help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors' needs.

The Fund has voluntarily committed to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD"). The Fund will prepare and publish its first TCFD report in 2021. Once published the report will be available here: Responsible Investment - Cornwall Council

Scheme Member Engagement

Further developing engagement with our members is a key area of focus for the Fund, particularly with regards to responsible investment and climate change. We will engage with our members annually. This year, the Fund has engaged with its members by way of a Responsible Investment survey. The survey was designed to establish the views of our members on responsible investment and the Fund's approach to responsible investment. This engagement will allow the Fund to better understand the views of Scheme members on issues such as climate change. The feedback will then be taken into account when we conduct our annual review of the Fund's Responsible Investment Policy.

This engagement will also help the Fund to establish the best methods of communication with our members. This will help to ensure that members are kept up to date on the work the Fund is doing on their behalf, with regards to responsible investment and issues such as climate change.

The results of the survey are published here: Member Survey Results

Stewardship

As part of Brunel, we are actively exploring opportunities to enhance our stewardship activities. At the same time, we will continue to be an active owner in our own right.

The Committee believes one of the potential benefits of pooling, achieved through the scale and resources arising from pooling, is the improved implementation of stewardship practices. Brunel has published its Responsible Investment Stewardship Policy which outlines its approach and priorities. The policy reflects the priorities of its underlying clients, and we were active in contributing to the policy.

With the support of the Cornwall Pension Fund and the other partner funds, Brunel has been using its influence to press for improved stewardship at external investment managers and has been actively involved in government consultations and other initiatives in the area. Now all of the Fund's equity assets have been transitioned, the Partnership and Brunel Ltd will seek to deliver best practice standards in responsible investment and stewardship in terms of company engagement as outlined in the Brunel Pension Partnership Investment Principles. More information is available on the website (www.brunelpensionpartnership.org).

Brunel have recently updated the Stewardship Policy in consultation with the Partnership. The Policy sets out Brunel's overall approach to stewardship. In addition, Brunel have published a separate Voting Guidelines document. This sets out Brunel's voting principles across a range of themes, and what Brunel expect of companies, their boards, and their management. It provides detail on Brunel's approach to using voting as part of shareholder engagement. Both documents can be accessed at: https://www.brunelpensionpartnership.org/stewardship/stewardship-policy/

The Committee has delegated investment powers to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) to act in the best interests of the Fund. Brunel and the Fund's investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. Brunel and the Fund's investment managers have been asked to report to the Committee on the implementation of their stewardship and engagement activities, which will be reviewed on a regular basis.

Officers of the Fund are involved in the Responsible Investment Sub-Group and discuss ESG and responsible investment matters and developments, and exchange best practice monthly. A representative from Brunel is also present at every quarterly Committee meeting to report back on these activities.

The Fund recognises the importance of collaboration with other investors to achieve more effective and wider reaching outcomes. In this respect, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Further details can be found on their http://www.lapfforum.org/

2020 UK Stewardship Code

In late 2019, the Financial Reporting Council ("FRC") published its revised 2020 UK Stewardship Code ("2020 Code"). The latest Code defines stewardship as "*the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*"

The FRC has described the 2020 Code as ambitious and highlighted the increased focus on 'activities and outcomes' as opposed to policy statements alone. As part of this increased remit, the 2020 Code covers a wider range of asset classes, requires signatories to consider the systematic integration of ESG and climate change in the stewardship and investment process, and is based on a more stringent 'comply and explain' basis. The revised 2020 Stewardship Code now has 12 principles for signatories which can be found at Appendix 2.

The FRC made the decision that LGPS Funds can demonstrate how they have applied the Code's Principles in the previous 12 months by using their Annual Report. During 2021, the Fund had discussions with its partner funds and Brunel to ensure appropriate structures were in place to meet the requirements of the Code. Officers subsequently made enhancements to the Fund's Annual Report, to demonstrate how the Fund is meeting the requirements of the Code. The enhanced Annual Report was presented at the October 2022 Pensions Committee meeting and was submitted to the FRC by the 31 October 2022 deadline. The FRC will assess the report, and if it meets their reporting expectations, the Fund will be listed as a signatory to the Code.

Voting

Hermes Equity Ownership Services (EOS) are the Partnership's engagement and voting services provider. This enables a wider coverage of assets and access to further expertise across different engagement themes. The voting and engagement done on behalf of the Fund is published quarterly on the Fund's website: Voting and engagement

Brunel selected EOS as its appointed engagement and voting services provider following a competitive tender and a comprehensive due diligence process. The contract coverage includes segregated active equity portfolios and segregated corporate fixed income. In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations, and that there is continued alignment of engagement and voting priorities and practices. Brunel is in regular contact with Hermes throughout the year. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

The Cornwall Pension Fund inputs into the developments of Brunel's engagement priorities which are communicated to EOS. There are multiple and distinct touchpoints throughout the year that Brunel and The Cornwall Pension Fund utilise to provide feedback on the engagement plan. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

The Cornwall Pension Fund provides input into the development of Brunel's voting guidelines (see link below), implementation is supported by EOS at Federated Hermes. The voting principles guide Hermes voting recommendation alongside country and region-specific guidelines. Voting decisions are also informed by investment considerations, consultation with portfolio managers, other institutional investors, engagement with companies and escalation by the Cornwall Pension Fund. The voting process, including approach across asset classes, is explained in further detail in Brunel's Stewardship Policy (see link below).

Brunel – Updated Stewardship Policy and Voting Guidelines

Brunel have recently updated their Stewardship Policy in consultation with the Partnership. The Policy sets out Brunel's overall approach to stewardship. In addition, Brunel have published a separate Voting Guidelines document. This sets out Brunel's voting principles across a range of themes, and what Brunel expect of companies, their boards, and their management. It provides detail on Brunel's approach to using voting as part of shareholder engagement. Both documents can be accessed at: https://www.brunelpensionpartnership.org/stewardship/stewardship-policy/

Brunel Voting Records

Details of Brunel's voting activities are uploaded to their website on a quarterly, and annual basis and can be accessed at: https://www.brunelpensionpartnership.org/stewardship/voting-records/

Hermes Public Engagement Plan 2021-23

Hermes Equity Ownership Services (EOS) have also published their Engagement Plan for 2021-23. The Engagement Plan is client-led –with Hermes EOS undertaking a formal consultation process with multiple client touchpoints each year to ensure it is based on their clients' long-term objectives, covering the highest priorities. Officers from Cornwall Pension Fund were involved in this process.

The Plan details Hermes EOS's approach to engagement and their key priorities for the next three years. The report can be accessed at: https://www.hermes-investment.com/eos-insight/eos/eos-engagement-plan-2021-2023/

2022 Stocktake and Ongoing Improvements

During the 2022 stocktake (see indicative timetable below), alongside Brunel and our partner funds, we will be conducting a comprehensive review of our Partnership's Climate Change Policy, in order to see what is working and how we can ensure we continue to deliver best practice. This stocktake will provide us with the opportunity to reflect on our progress, the effectiveness of our approach and to raise our ambitions. It will also, ahead of our triennial valuation and investment strategy review, help us prepare for what we see as the tightening of regulation and an escalation of government action on climate change.

We are currently supportive of Brunel's approach of not yet issuing exclusion lists as we believe that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

One of the key questions we will be answering as part of the stocktake, is whether the engagement with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a below 2°C economy.

If the answer is no, we will be expecting Brunel to take action, including the possibility of introducing selective divestment requirements for companies using an agreed mechanism and/or changing investment managers. In the Fund's view, this should apply to companies whose management are persistently resistant to re-aligning their business strategy with net zero, where a company's activity is inconsistent with a credible net zero pathway and where engagement has consistently proven unsuccessful.

We will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the partnership.

The Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, we will ensure there is regular training on climate change for the Committee, Board, and Officers, so that those in charge of the decision making for the Fund are sufficiently informed.

Responsible Investment Policy - Review Process

We will review our Responsible Investment Policy to ensure it meets audience needs and regulatory requirements on a regular basis. The next formal review is due to start Q1 2023/24, after the stocktake, the Fund's triennial valuation, and investment strategy review. A current version of the policy statement will always be available on our website at www.cornwallpensionfund.org.uk

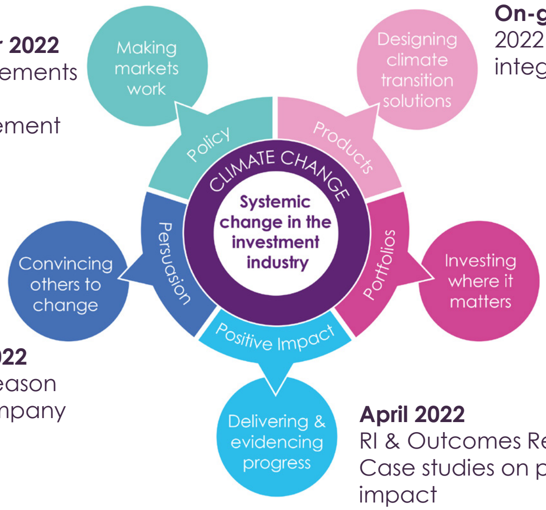
Climate Stocktake 2022

November 2021 stocktake process starts
May/ October 2022 Client workshops
November 2022 Stocktake complete
January 2023 Updated climate change policy

November 2021 COP26
December – September 2022

- Public policy achievements review
- Stakeholder engagement

On-going product governance
2022 - Internal audit of climate integration



December 2021 Data snapshot
March 2022 Climate action Plan report/ TCFD/ Metrics Report/s

April - June 2022
Main voting season
Review of company engagement

April 2022
RI & Outcomes Report
Case studies on positive climate impact

Contact

Sean Johns
Pension Investments Manager
Cornwall Pension Fund
2nd Floor, West Wing
New County Hall
Truro TR1 3AY

Email: pension.investments@cornwall.gov.uk
Tel: 01872 322222

Appendix 1
IIGCC Net Zero Commitment

Net Zero Commitment

As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the Agreement, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action on climate change, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and play our part in helping deliver the goals of the Paris Agreement.

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner.
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework.
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C.
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner.
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.
8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.
9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

This commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will therefore work to address these challenges, including through the Paris Aligned Investment Initiative.

This commitment is based on the expectation that governments and policy makers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

Further details of the initiative can be found in the IIGCC press release at: Paris Aligned Asset Owners – Investing for a net zero future

Appendix 2
UK Stewardship Code 2020

12 Principles of the 2020 Stewardship Code

1. Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Governance, resources and incentives support stewardship.
3. Manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Review their policies, assure their processes and assess the effectiveness of their activities.
6. Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Monitor and hold to account managers and/or service providers.
9. Engage with issuers to maintain or enhance the value of assets.
10. Where necessary, participate in collaborative engagement to influence issuers.
11. Where necessary, escalate stewardship activities to influence issuers.
12. Actively exercise their rights and responsibilities.

Appendix 3
United Nations Sustainable Development Goals (UNSDGs)

United Nations Sustainable Development Goals (UNSDGs)

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals. The full list of UNSDG's are as follows:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation, and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice, and Strong Institutions
17. Partnerships

Appendix 4 Administering Authority Policies

Carbon Neutral Cornwall

On 22 January 2019 Cornwall Council declared a climate emergency. Following this the Council prepared a report outlining how to reduce carbon emissions towards becoming carbon neutral by 2030. In July 2019, the Cabinet approved the ambitious plan.

The plan's timeline is ahead of the Government's pledge to reduce emissions by 78% by 2035, compared to 1990. The Carbon Neutral Cornwall Action Plan outlines many proposals, with the Council already delivering on many of the priorities including:

- Planting new woodland across Cornwall as part of the Forest for Cornwall programme. The new forest canopy of trees and hedgerows will draw down carbon from the atmosphere. The Forest for Cornwall will cover about 8,000 hectares in different parts of Cornwall. It will also increase public access to around 32 square miles of new open space.
- Increasing the amount of renewable energy generated in Cornwall. Since 2009 there have been increases in the amount of electricity that can be generated, from 90 to over 800 megawatts. That means around 40% of Cornwall's electricity now comes from renewable sources. Cornwall's new smart-grid wind turbine is generating enough energy to power over 1,400 Cornish homes.
- Improving the energy efficiency of homes across Cornwall (initially focusing on existing Council owned homes). This includes reducing the cost of those homes' energy bills and making them easier to keep warm. This is being achieved through the Whole-house Retrofit Project. The Council are also lobbying government to help do more.
- Responding to the Climate Emergency through planning. New planning policies are being introduced called the Climate Emergency Development Plan Document. This will create new planning rules that encourage better development that uses less energy. Developing buildings that survive future climate change and that help protect the planet.

Cornwall Council has also pledged to reduce its own carbon impact to zero. They are using their decision-making wheel to consider social, economic and environmental impacts. The Council has also stated it is also changing how they work in other ways, including:

- Reducing the resources we use such as paper and water.
- Cutting down on emissions by reducing journeys.
- Reducing our business and commuting miles.
- Switching our fleet of vehicles to ultra-low emission and electric.
- Trialling bio-fuel in road repair and maintenance vehicles.
- Looking into bio-methane refuelling stations for trucks and buses.
- Switching to a 100% renewable energy supplier contract.
- Increasing renewable energy production and decreasing energy usage in Council owned buildings.
- Ensuring that our suppliers have the lowest carbon impact possible.
- Switching Cornwall's 54,000 street lights to low energy LED smart street lights. This will reduce our carbon impact. It will also reduce our energy bill by around £1 million a year.
- Reducing waste and increase recycling. We are introducing weekly food waste collections and every other week recycling collections. We are working to encourage people in Cornwall to recycle more.
- Developing innovative ways to use food waste and grass cuttings to make clean energy. We are turning food and grass waste into compost and gasses that can run vehicles and machinery.
- Helping to make low carbon vehicles more accessible. We are using a £23 million subsidy from national government to reduce the cost of bus journeys. Our new buses have cleaner and greener engines to reduce their carbon impact. We are improving park and ride facilities and walking and cycling routes. We are also increasing the number of charging points for electric vehicles.

More information on Cornwall Council's Climate Emergency plans can be found here [Climate emergency - Cornwall Council]

Equality and Diversity

The Council has published its own corporate Equality and Diversity framework in order to help it deliver its challenging and ambitious improvement programme. The framework sets out how the Council will promote equality of opportunity, fostering good relations and will eliminate discrimination in service provision and employment. The five principles of the Framework are as follows:

1. Ensuring we work in a non-discriminatory environment and model best practice
2. Ensuring all our decisions are based on evidence through the Comprehensive Impact Assessment process
3. Responding to and learning from complaints and incidents in a positive and pro-active way
4. Providing access to services, facilities and information
5. Recruiting and employing people fairly

More information on Cornwall Council's Equality and Diversity framework can be found here Equality and diversity - Cornwall Council

Glossary

1.5°C scenario
A 1.5°C scenario is a projection of a world in which global warming has reached and been limited to 1.5°C above pre-industrial levels by 2100.

Actuary
The Pension Fund's actuary carries out a valuation of the fund every 3 years in line with Local Government Pension Scheme (LGPS) regulations. The purpose of the valuation is to review the financial position of the Fund, and to set employer contribution rates. This is effectively the Fund's triennial budgeting exercise. The Cornwall Pension Fund actuary is Hymans Robertson.

Administering Authority
The authority who runs an LGPS pension fund. Cornwall Council is the administering authority for the Cornwall Pension Fund.

Brunel Oversight Board (BOB)
This comprises 12 members: one elected member representative from each of the Administering Authorities and two scheme member observers. It has been set up according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it has a monitoring and oversight function.

Brunel Pension Partnership (BPP)
One of eight national Local Government Pension Scheme (LGPS) Pools. The underlying funds are: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Carbon emissions & Scope 1,2 & 3 emissions
Carbon emissions refers to the amount of carbon dioxide equivalent emissions that are released into the atmosphere. For the purpose of measurement, they are divided into 3 types:

- Scope 1 emissions are the company's direct emissions, which are under their control, for example from company vehicles.
- Scope 2 are indirect emissions from the generation of purchased electricity
- Scope 3 emissions are indirect emissions from the company's value chain for example use of the company's product by the consumer.

Client Group
It is comprised primarily of investment officers drawn from each of the Administering Authorities. It has a primary role in reviewing the implementation of pooling by Brunel and provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Brunel Oversight Board to fulfil its monitoring and oversight function.

Climate Action Tracker
The Climate Action Tracker is an independent scientific analysis that tracks government climate action and measures it against the globally agreed Paris Agreement aim to limit global warming to well below 2 °C, preferably to 1.5 °C, compared to pre-industrial levels.

Decarbonisation
Reduction in carbon emissions.

Environmental, Social and Governance (ESG)
Consideration of any factors that are financially material to a fund's investments which includes environmental, social and governance factors.

EU Taxonomy
The EU Taxonomy is a regulatory classification system under which companies may define which of their economic activities are environmentally sustainable.

Fiduciary Duty
At its highest level, the Pensions Committee 'should act in the best long-term interests of the beneficiaries.'

Institutional Investors Group on Climate Change (IIGCC)
The Institutional Investors Group on Climate Change (IIGCC) is a forum for investors to collaborate on climate change. IIGCC's mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policymakers and investors. IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.

Intergovernmental Panel on Climate Change (IPCC)
Is the United Nations body for assessing the science related to climate change. It provides policymakers with regular scientific assessments on climate change, its implications and potential future risks. It also puts forward adaptation and mitigation options.

Local Authority Pension Fund Forum (LAPFF)

Membership group of LGPS Funds that focuses on corporate governance issues and the promotion of high standards of corporate governance and responsibility.

Local Government Pension Scheme (LGPS)

The LGPS is a public sector pension scheme and is one of the largest schemes in the UK. It provides retirement benefits for local authorities and participating employers. Cornwall Pension Fund (CPF) is part of the LGPS.

Net Zero

Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

Offsetting

A carbon offset is a reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for (or ‘offset’) an emission made elsewhere.

Paris Agreement on Climate Change

The Paris Agreement is a legally binding international treaty on climate change, adopted in December 2015. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Paris-Aligned Benchmarks

In investment terms, a benchmark can refer to a standard/criteria that investments have to meet. A Paris-Aligned Benchmark is where the underlying assets are selected in such a manner that the resulting benchmark portfolio’s greenhouse gas emissions are aligned with the long-term global warming target of the Paris Climate Agreement.

Responsible Investment (RI)

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

Sustainable Development Goals (SDGs)

A universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all United Nations Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals.

Sustainable Global Equity

Brunel’s sustainable equities portfolio is a long-term focused investment approach which integrates Environmental, Social, Governance (ESG) considerations throughout the whole investment process, decision making, stewardship, policies and strategies. It goes beyond risks and seeks to maximise exposure to positive pursuit companies, targeting solutions to sustainability and benefiting society as a whole.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

Transition Pathway Initiative (TPI)

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies’ preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. Launched in 2017, it is rapidly becoming the ‘go-to’ corporate climate action benchmark.

United Nations Principles for Responsible Investment (UNPRI)

Six Principles for Responsible Investment that are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice.

If you would like this information in another format or language please contact:

Cornwall Council
County Hall
Treyew Road
Truro TR1 3AY

Telephone: 0300 1234 100
Email: equality@cornwall.gov.uk
www.cornwall.gov.uk

October 2023 jn53381