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## AGENDA

<b>Pwyllgor</b>	PWYLLGOR PENSIYNAU
<b>Dyddiad ac amser y cyfarfod</b>	DYDD LLUN, 15 MAI 2023, 5.00 PM
<b>Lleoliad</b>	CYFARFOD O BELL TRWY MS TEAMS
<b>Aelodaeth</b>	Cynghorydd Weaver (Cadeirydd) Cynghorwyr Dilwar Ali, Lay, Reid-Jones a/ac Taylor

### 1 Ymddiheuriadau am Absenoldeb

Derbyn ymddiheuriadau am absenoldeb.

### 2 Datgan Buddiannau

I'w wneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod Ymddygiad yr Aelodau.

### 3 Cofnodion

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 6 Chwefror 2023 fel cofnod cywir.

I ddilyn

### 4 Diweddariad Partneriaeth Pensiwn a Buddsoddiadau Cymru (*Tudalennau 3 - 30*)

Derbyn diweddariad ar Bartneriaeth Pensiwn Cymru, gan gynnwys Cynllun Busnes PPC, a Buddsoddiadau'r Gronfa.

### 5 Cofrestr Risgiau (*Tudalennau 31 - 40*)

Ystyried Cofrestr Risg y Gronfa Bensiwn.

### 6 Cynllun Busnes 2023/24 (*Tudalennau 41 - 56*)

Ystyried Cynllun Busnes y Gronfa ar gyfer 2023/24.

**7 Cofnodion y Bwrdd Pensiwn Lleol (Tudalennau 57 - 62)**

Nodi cofnodion cyfarfod y Bwrdd Pensiwn Lleol a gynhaliwyd ar 24 Ionawr 2023.

**8 Eithrio'r Cyhoedd**

**Mae'r eitem ganlynol yn gyfrinachol ac wedi'i heithrio rhag ei chyhoeddi gan ei bod yn cynnwys gwybodaeth eithriedig o'r disgrifiad a gynhwysir ym mharagraff 14 o Ran 4 a pharagraff 21 o Ran 5 o Atodlen 12A i Gam Gweithredu Llywodraeth Leol 1972. Caniateir gwahardd y cyhoedd o'r cyfarfod drwy benderfyniad y Pwyllgor yn unol ag Adran 100A(4) o Ddeddf Llywodraeth Leol 1972 yn ystod y drafodaeth ar yr eitem hon.**

**9 Cofnodion y Panel Cyngori ar Fuddsoddiad (Tudalennau 63 - 66)**

Nodi cofnodion cyfarfod y Panel Cyngori ar Fuddsoddi a gynhaliwyd ar 13 Rhagfyr 2022.

**10 Materion Brys (os o gwbl)**

**11 Dyddiad y cyfarfod nesaf.**

Cyfarfod nesaf y Pwyllgor Pensiwn yw'r cyfarfod ar y cyd â'r Bwrdd Pensiwn Lleol ar 3 Gorffennaf 2023 am 4pm.

Cynhelir cyfarfod nesaf y Pwyllgor Pensiynau ar 27 Tachwedd 2023 am 5pm

**Hyfforddiant Pwyllgor**

Bydd Aon yn cyflwyno sesiwn hyfforddi ar ddadansoddi senarios Hinsawdd i Aelodau'r Pwyllgor ar ôl i gyfarfod y Pwyllgor Pensiynau ddod i ben.

**Davina Fiore**

**Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mawrth, 9 Mai 2023

Cyswllt: Andrea Redmond, 02920 872434, a.redmond@caerdydd.gov.uk

**REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 4**

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**WALES PENSION PARTNERSHIP AND INVESTMENT UPDATE****Reason for this Report**

- 1) The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
- 2) This report has been prepared to update the Committee on progress towards the establishment of pooled investment arrangements for the eight LGPS funds in Wales under the oversight of the Wales Pensions Partnership. In addition brief updates on the current investments of the Fund and the Actuarial valuation as at 31 March 2022 will be provided.

**Background**

- 3) The Committee and Board has received regular updates on the development of the Wales Pension Partnership by the eight LGPS administering authorities in Wales. The proposals for a Wales Investment Pool were approved by the Minister for Local Government in November 2016.
- 4) A Joint Governance Committee (JGC) has been established by the eight administering authorities to provide oversight of the Pool. The JGC is supported by the Officer Working Group (OWG) comprising the Treasurers (Section 151 Officers) and Investment Officers of the eight funds. Link Fund Solutions have been appointed as the Pool Operator and Russell Investments will provide consultative services including advice on fund design and manager selection. Carmarthenshire Council have been approved as the Host Authority, providing administrative support to the WPP. Hymans Robertson were appointed, in January 2020, as Oversight Advisors to support the WPP in managing its relationship with Link and Russell Investments as well as providing advice on governance and strategic investment strategy. Robeco have been appointed Engagement and Voting Advisors and will assist the WPP in areas such as corporate governance and exercising the Partnerships voting rights in line with the Partnerships ambition to become a leader in Responsible Investment.
- 5) Three Equity Sub Funds had been launched prior to 2020/21 financial year, a UK Equity Fund and two Global Equity Funds, Global Growth and Global Opportunities. During 2020/21 five Fixed Income sub-funds were launched by the WPP with this Fund investing in 3 of the WPP Fixed Income sub-funds in August 2020. The Emerging Markets Equity Fund was launched in October 2021

## Issues

- 6) As at 31<sup>st</sup> March 2023 the Fund had the following investments in seven WPP products, with the aggregate value of £1,664 million:-
- I. UK Opportunities Equity Fund - £242 million
  - II. Global Government Bond Fund - £231 million
  - III. Global Credit Fund - £198 million
  - IV. Multi Asset Credit Fund - £141 million
  - V. Global Opportunities Equity Fund - £532 million
  - VI. Global Growth Equity Fund- £210 million
  - VII. Emerging Markets Equity Fund- £111 million

The equivalent valuation as at 28<sup>th</sup> February 2023 was £1,663 million representing approximately 63% of this Fund's total valuation of £2,642 million at that date. The 28<sup>th</sup> February 2023 valuation of the BlackRock Low Carbon Fund was £596 million which if added to the WPP sub-funds would amount to 86% of the total Fund value being pooled at this date.

- 7) The launch date for WPP Sustainable Active Equity Sub-fund has been set for end of June 2023, which has slipped from the original March 2023 target. On-boarding to the WPP Private Credit sub-fund has now been completed and is continuing with the Open-ended Infrastructure sub-fund which is expected to be completed shortly. In addition along with six of the other Welsh LGPS Funds this Fund has also completed its subscription to the Capital Dynamics Welsh Wind Farm project. The total investment here for the Fund is relatively modest, £10m with £2.2m paid to date, but nevertheless indicates a commitment to invest in projects in renewable energy and in Wales. Once the activity with these sub-funds is complete WPP attention will turn to the launch of the WPP Private Equity sub-fund where Schrodgers have been appointed as the Allocator for this sub-fund.
- 8) The WPP held two pre-procurement Market Engagements days in Cardiff during March. The first was for the Operator procurement which was attended by 4 organisations :
- a) Waystone
  - b) Link
  - c) Fundrock Partners
  - d) Carne

The second engagement day was for the new WPP Property sub-fund where a number of the Constituent Authorities existing Property Managers presented on their thoughts as to what this Property sub-fund could look like. This covered issues such as the extent of Global coverage, direct versus pooled investments, the role of impact investing and the potential to transition existing investments to any WPP Property fund.

- 9) Following its successful application last year the WPP heard in late February 2023 that it was successful with its re-application to remain a signatory to the Financial Reporting Council (FRC) Stewardship Code.
- 10) There have been developments with regard to the potential sale of Link Fund Solutions with a press release confirming the conditional sale of Link FS to the Waystone Group subject to contract and final Board approvals. Appropriate regulatory approvals and consents will then be required with the completion of this process expecting to take up to six months.

- 11) A meeting of the WPP JGC took place on 29<sup>th</sup> March 2023 and the host authority have provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The WPP Training Plan for 2023/24 is also attached, as Appendix 2, with these virtual training events being open to Pension Committee (and Local Pension Board) members with invitations to be forwarded when times and dates are confirmed.
- 12) One of the items approved at the March JGC was the WPP Business Plan 2023-2026. and this Business Plan now needs to be approved individually by the eight constituent authorities of the WPP. A copy of the WPP Business Plan 2023-2026 is attached as Appendix 3. The areas covered by the business plan include :-
- i. Introduction to the Wales Pension Partnership
  - ii. Governance
  - iii. Risk Management
  - iv. Objectives
  - v. Beliefs
  - vi. Policies
  - vii. Work plan
  - viii. Training Plan
  - ix. Budget
  - x. Investment & Performance
  - xi. Contact Details
- 13) The provisional valuation of the Fund as at 28 February 2023 is £2,642 million which compares with £2.627 million as at February 2022. The table below presents the position for the Fund's Asset classes for these two dates and the percentage change over the year. It is important however to reinforce that the Funds investment performance remains focussed on long-term market returns.

ASSET CLASS	Feb-23	Feb-22	% change
	£million	£million	%
Equities			
UK	250	236	6.12%
Global	1,337	1,294	3.32%
Emerging Market	110	114	-3.29%
Total Equities	1,698	1,644	3.26%
Fixed Income	561	620	-9.50%

Private Equity	114	100	14.29%
Property	184	196	-5.99%
Cash	85	67	26.63%
<b>Total</b>	<b>2,642</b>	<b>2,627</b>	<b>0.57%</b>

- 14) At the end of March Aon issued their final Actuarial valuation as at 31 March 2022 report with the highlights from the valuation including :-
- i. Small increase in Funding level to 98%, compared to 96% for the 2019 valuation but additional prudence included in the 2022 valuation.
    - i. Probability of Funding Success increased to 78%, 75% in 2019.
    - ii. Short term inflation allowance of 10% included.
    - iii. Reduction in the Recovery period to 14 years.
  - ii. For Employers in surplus a buffer of at least 110% retained given the uncertain economic outlook.
  - iii. Some allowance for post-valuation experience of increased Gilt Yields included in the Ongoing Orphan Employer calculations.
  - iv. The key macro-economic assumptions impact is largely unchanged with a higher Discount Rate (Investment Returns) offset by higher CPI and Pay Growth assumptions.
  - v. The Total Contribution rate for the Fund as a whole was 19.2%, a decrease of 2.3% compared to the equivalent rate in 2019.

## Legal Implications

- 15) This report has been prepared to update the Committee on recent developments related to the WPP Investment Pool and the current valuation of the fund. The report also recommends that the Committee approves the WPP Business Plan 2023-26. The subject matter of the report (pension investment) is outside of the expertise of the in-house legal team to advise on. It is understood that to aid its consideration of matters the WPP have appointed a number of key advisors and service providers, including external legal advisors ( Barges Salmon) . As such the specialist external advice obtained in relation to this matter should be considered. In addition, the general legal advice set out below should also be considered.

### General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2023-26.

The well-being duty also requires the Council to act in accordance with ‘sustainable development principle’. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

## **Financial Implications**

- 16) The costs of the WPP are apportioned between the constituent authorities in accordance with the Inter Authority Agreement. All costs allocated to Cardiff will be charged to the Pension Fund

## **Recommendations**

- i. That the Committee notes the recent developments related to the WPP Investment Pool.
- ii. That the Committee approves the WPP Business Plan 2023-26

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**

**Appendices**

Appendix 1 : WPP JGC 29 March 2023 Summary

Appendix 2 : WPP Training Plan 2023/24

Appendix 3 : WPP Business Plan 2023/26



## Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 29 March 2023

Location: Hybrid meeting, hosted by Gwynedd

Chair: Cllr Christopher Weaver, Cardiff

Vice Chair: Cllr Ted Palmer, Clwyd

Agenda item	Detail
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities.</p> <p>Anthony highlighted the Operator Contract procurement process timeline, with the key steps being:</p> <ul style="list-style-type: none"><li>○ May – July 2023, individual Constituent Authorities (CA) to approve evaluation and scoring criteria for final procurement documentation</li><li>○ Sept / Oct 2023 – Issue Invitation to Tender (ITT)</li><li>○ Nov / Dec 2023 – ITT evaluation</li><li>○ March 2024 – Approval of recommended operator by the JGC</li><li>○ March / April 2024 – Approval by the CA's</li><li>○ May 2024 – Operator appointment</li><li>○ May 2024 – Dec 2024 – transition period</li><li>○ December 2024 – new formal contract start date</li></ul> <p>Anthony also presented the 2022/23 Business Plan update as at 31 December 2022 (attached).</p>
WPP Training Plan 2023/24	<p>Anthony Parnell of the Host Authority presented the 2023/24 WPP Training Plan. This training plan is devised to supplement existing Constituent Authority training and will be relevant to the WPP's pooling activities.</p>

	<p>The 2023/24 training sessions will be held quarterly and will cover the following topics:</p> <ul style="list-style-type: none"> <li>• Product Knowledge</li> <li>• Reporting</li> <li>• Responsible Investment</li> <li>• Market Understanding &amp; Regulatory Requirements</li> </ul> <p>The JGC approved the 2023/24 Training Plan (attached)</p> <p>The first training session will take place virtually on Thursday 8 June 2023 and will cover:</p> <ul style="list-style-type: none"> <li>• Private Market Asset Classes – Private Equity / Property</li> <li>• Levelling up / development opportunities</li> </ul>
<p>WPP Business Plan 2023-2026</p>	<p>A WPP business plan has been drafted in line with Section 6 of the Inter Authority Agreement. The purpose of the business plan is to:</p> <ul style="list-style-type: none"> <li>• Explain the background and governance structure of the WPP</li> <li>• Outline the priorities and objectives of the WPP over the next three years</li> <li>• Introduce the WPP’s policies and plans</li> <li>• Outline the financial budget for the relevant Business Plan period</li> <li>• Summarise the WPP’s Investments &amp; Performance Objectives</li> </ul> <p>Anthony Parnell of the Host Authority presented the 2023-26 WPP Business Plan (attached) which was approved by the JGC. The Business Plan has now been sent to all eight Constituent Authorities for their written approval.</p>
<p>Risk Register Q1 2023 Review</p>	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and the quarterly review of the document.</p>

	<p>During Q1 2023, a review was undertaken of some of the risks within the Governance and Regulation section of the Risk Register, risks G1 to G7 and also risk G12.</p> <p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>
<p>Policy Reviews: Governance Matrix</p>	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken an annual review of the Governance Matrix.</p> <p>Following this year's review, the Governance Matrix has been updated to reference the relevant sections of the Inter Authority Agreement (IAA).</p> <p>The updated matrix has been approved and the WPP website has been updated.</p> <p>There were no new policies this quarter.</p>
<p>Operator Update</p>	<p>Link presented their quarterly update report as at 31 December 2022 (attached). This provides an update on WPP's sub funds and corporate and engagement activity.</p>
<p>Performance Reports as at 31 December 2022</p>	<p>Russell Investments presented a Q4 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 31 December 2022.</p>
<p><b>Exempt Items</b> – the following items were discussed during the non-public part of the meeting.</p>	
<p>Global Securities Lending Report as at 31 December 2022</p>	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Global Securities Lending Report for Q4 2022 (quarter ending 31 December 2022).</p>
<p>Robeco Engagement Report – Q4 2022</p>	<p>In March 2020, Robeco was appointed as WPP's Voting &amp; Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Quarter 4 2022.</p>

Responsible Investment and Climate Risk reports	Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for the WPP's sub funds.  For Quarter 4 2022 (quarter ending 31 December 2022), the UK Credit, Global Credit and Global Government Bond reports were produced.  Hymans presented the reports to the JGC members.
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Webcast link for the 29 March JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 29th March, 2023, 10.30 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](#)

Next meeting:

- Wednesday 19 July 2023 – virtual meeting

# Wales Pension Partnership Training Plan 2023/24

## Background and Introduction

It is best practice for WPP personnel to have:

Appropriate knowledge and understanding of:

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

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

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP.

WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

New WPP personnel must conduct formal introductory training to reach the level of knowledge set out above. Following any introductory training, personnel are expected to maintain their understanding of items set out above, completing any additional training as necessary.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. Please note that the Host Authority will maintain a training plan log which will keep a record of all the training WPP personnel have completed to date and the training that is due to take place in the foreseeable future.

The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

The WPP has put in place a dedicated Training Policy, this can be found on the WPP website, the policy provides additional detail on how the WPP approaches training and development.

## Individual Training

It is important that individuals have an 'appropriate' level of knowledge and understanding of the activities relevant to their duties within the WPP.

It is best practice for individuals to review their own knowledge and understanding at least annually and undertake further learning for any areas that are identified as requiring further attention or development.

## 2023/24 Training

We have set out below a list of training topics which the Host Authority will arrange during the 2023/24 financial year. The topics outlined below are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Topic	Date *
<b>Product Knowledge</b>	
<ul style="list-style-type: none"><li>Private Market Asset Classes – Private Equity / Property</li></ul>	Q1
<ul style="list-style-type: none"><li>Levelling up / development opportunities</li></ul>	April – June 2023
<b>Reporting</b>	
<ul style="list-style-type: none"><li>TCFD reporting</li></ul>	Q2
<ul style="list-style-type: none"><li>Performance reporting</li></ul>	July – September 2023
<b>Responsible Investment (RI)</b>	
<ul style="list-style-type: none"><li>Voting &amp; Engagement</li></ul>	Q3
<ul style="list-style-type: none"><li>RI within the WPP sub funds</li></ul>	October – December 2023
<b>Market Understanding &amp; Regulatory Requirements</b>	
<ul style="list-style-type: none"><li>Progress of other LGPS pools &amp; Collaboration Opportunities</li></ul>	Q4
<ul style="list-style-type: none"><li>Pooling Guidance</li></ul>	January – March 2024

\* Please note that these are estimated dates and they may be subject to change



# Wales Pension Partnership Business Plan 2023 -2026



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# Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2023/24, 2024/25 and 2025/26. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

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

## About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



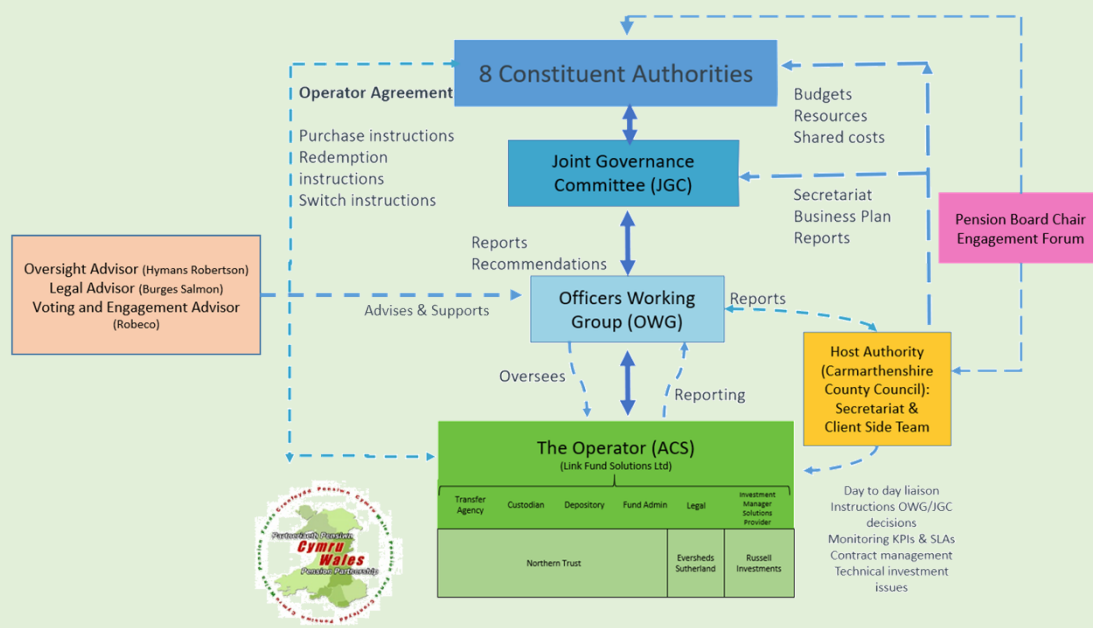
# Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well as its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillors, scheme member representative and officer representatives from the Constituent Authorities.

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

#### Engagement mechanisms and Frequency:

- Strategic Relationship Review meeting Bi-Annual
- JGC Engagement Quarterly
- Manager Performance Meetings/ Calls Quarterly
- Training Events Quarterly
- OWG Engagement Quarterly
- Bi-weekly meetings Every 2 weeks
- Pension Fund Committees Annual
- Manager Engagement Days Annual
- Member Communications Annual
- Pension Board Engagement Every 6 months
- Engagement via the website & LinkedIn Continuous
- Constituent Authority Annual Requirements & Ambitions Questionnaire Annual

# Risk Management

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

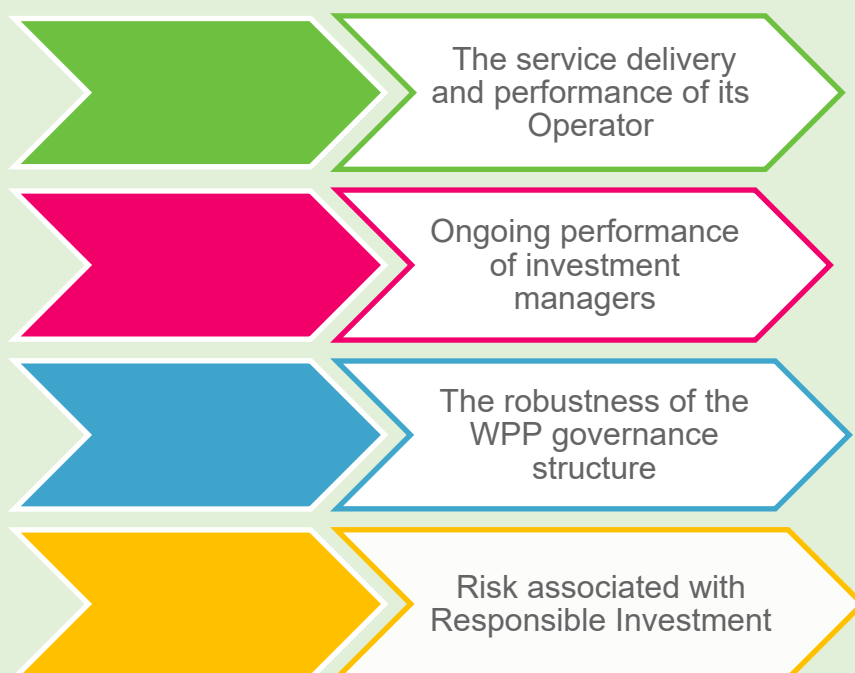
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

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

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

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

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



# Objectives

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

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

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

# Beliefs

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

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

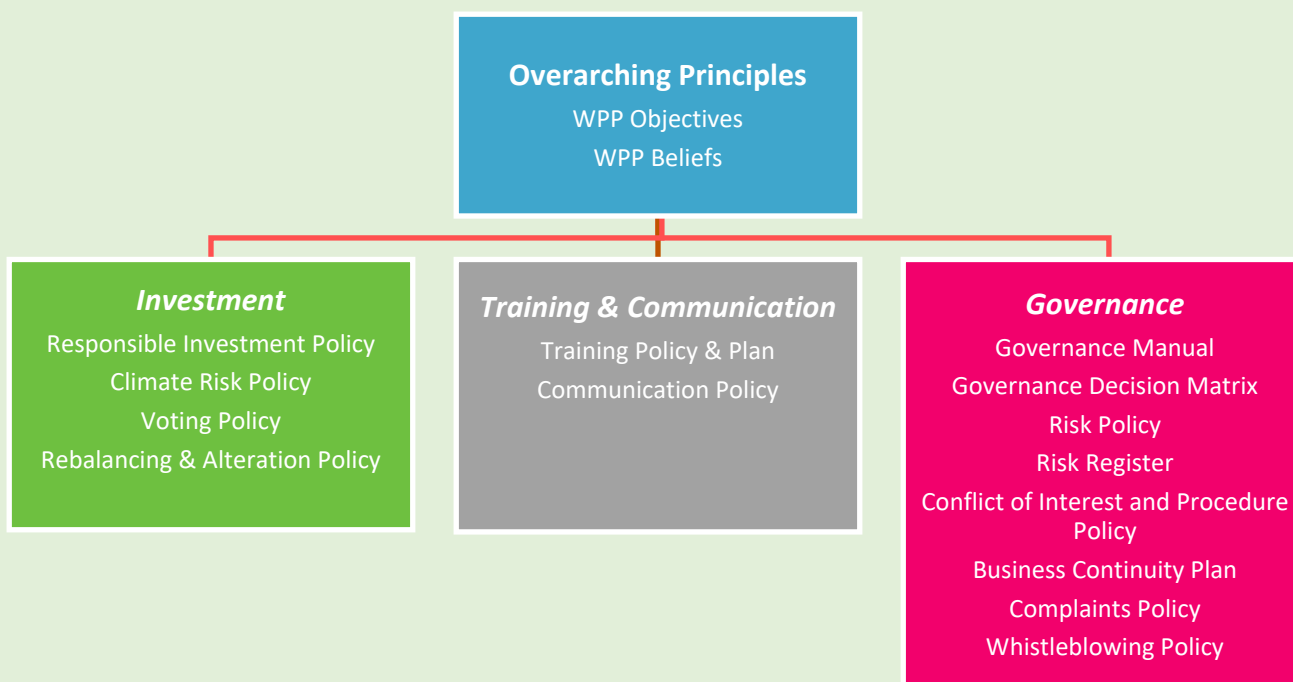
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

# Policies

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



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



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

# Work Plan

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

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled c72% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

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



Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch Sustainable Equities Sub-Fund	✓		
Launch of Private Equity Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds	✓	✓	
Consideration of WPP's Levelling up / impact requirements	✓	✓	
Launch of other Private Market sub-funds (TBC)	✓	✓	✓
Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
<b>Operator Services</b>			
Operator contract / procurement process	✓	✓	
New Operator Contract		✓	
Operator Oversight	✓	✓	✓
<b>Investments and Reporting</b>			
Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	✓
Task Force on Climate-related Financial Disclosures (TCFD) reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Investment Manager performance reporting, scrutiny and challenge	✓	✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual performance review of WPP Sub Funds (Equity and Fixed Income)	✓	✓	✓
On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions	✓	✓	✓
<b>Communication and Training</b>			
Formulation of WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓
<b>Resources, Budget and Fees</b>			
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Operator / external provider fees	✓	✓	✓

# Training Plan

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

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

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

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

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

We have set out below a list of training topics which the Host Authority will arrange training for during the 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

## Product Knowledge

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

## Reporting

- o TCFD reporting
- o Performance reporting

## Responsible Investment

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

## Market Understanding & Regulatory Requirements

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

# Budget

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

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

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

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

# Investments & Performance

The WPP's Constituent Authorities have total assets of circa £23bn (as at 31 March 2022). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

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

## Equity Sub-Funds



\* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT, Cardiff and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Liontrust (Majedie), Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets Index	Cardiff, Clwyd, Gwynedd and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21

## Fixed Income Sub-Funds



\* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Metlife, Fidelity and T Rowe Price	July 20
Global Government	FTSE WGBI Index	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

# Contact Details

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

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - [WalesPensionPartnership@carmarthenshire.gov.uk](mailto:WalesPensionPartnership@carmarthenshire.gov.uk)

Telephone - (01267) 224136

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

The website can be found here:

<https://www.walespensionpartnership.org/>





**PENSIONS COMMITTEE: 15 MAY 2023**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM : 5**

**PENSION FUND RISK REGISTER**

**Reason for this Report**

1. To review the current Risk Register for the Pension Fund.

**Background**

2. A Risk Register for the Pension Fund is maintained as part of the Corporate Risk Management process. The Register covers all aspects of management of the Fund including Investments, Funding, Governance and Administration.

**Issues**

3. The Risk Register is regularly reviewed by Fund officers and is also presented to the Local Pension Board for their review. The Risk Register was considered by the Pension Board at its meeting on 18 April 2023. A number of minor updates were proposed to the Register presented to the Board at that meeting and these are listed below :-
  - P1 : updated for completion of March 2022 triennial Valuation
  - P2 : reference to updated Investment Strategy Statement (ISS) including emphasis on increased significance of ESG issues and additional diversification from upcoming Private Market Investments.
  - P10 : Confirmation that amendments to FSS to include arrangements for Employers with a surplus above 110% have now been approved.
  - P13 – Discussions taking place with the two remaining Employers not yet live on i-connect.
  - P20 : Update on Recruitment activity including Cardiff Works appointments and temporary Grade 5 posts
  - P21 : reference to launch of Sustainable Active Equity Fund in May 2023 and Pension Committee approval of undertaking further work for the Fund to set a Net Zero target.

4. Following a discussion of the Risk Register at the 18 April meeting no further changes were proposed for the Risk Register. The current Risk Register including the above amendments is attached as Appendix 1 with the standard Risk Matrix used for the Council's Corporate Risk Register attached as Appendix 2.

## Legal Implications

5. The Pensions Committee terms of reference include, '*To discharge the following specific strategic functions with regards to the Fund, taking account of advice from the Corporate Director Resources and the Fund's professional advisers:...*  
e) *To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.*' To this end, this report, in effect, requests that the Committee considers the contents of the attached Risk Register for the Pension Fund, which is maintained as part of the Corporate Risk Management process

The general legal advice set out below should also be considered.

### General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 ("the Act") places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving



the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2023-26

The well-being duty also requires the Council to act in accordance with 'sustainable development principle'. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

## **Financial Implications**

6. There are no financial implications arising directly from this report.

## **Recommendations**

7. That the Committee notes the contents of the Risk Register.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**

### **Appendices:**

Appendix 1 Risk Register May 2023

Appendix 2 Risk Matrix



Ref	Risk Description (Consider Risk Cause & Risk Consequences)	Inherent Risk		Current Controls	Residual Risk		Proposed Improvement Actions	Risk Reduction Target Date	Owner	Status		
		Likelihood Consequence	Priority		Likelihood Consequence	Priority						
<b>Pensions</b>												
P1	That the Pension Fund's investment strategy is not managed with reference to the long-term growth in the Fund's liabilities	B	1	High - Red	<p>Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contributions are set in response to this. An asset-liability study may be commissioned if there is evidence of a clear shift in the balance between assets and liabilities.</p> <p>The Investment Panel considers whether any changes are required to strategic asset allocation. The investment strategy is summarised in the Investment Strategy Statement</p> <p>The liabilities of admitted bodies are monitored to ensure that large deficits do not accrue, which would be unaffordable should the employer leave the Fund</p>	C	2	Medium - Red / Amber	<p>Continuing engagement with Fund actuaries to understand impact of financial and demographic factors on the Fund's liabilities.</p> <p>Aon have completed the 2022 tri-annual valuation which saw a small improvement in the Funding level but with more prudent assumptions including a higher proportion of funding success, a reduction in the recovery period as well as including a provision to cover the 10% CPI inflation at September 2022</p>	31-Mar-23	Marc Falconer	
P2	Inadequate medium term performance from selecting inappropriate fund managers or asset allocation	B	2	High - Red	<p>Although the Fund remains responsible for setting its own investment strategy it is increasingly using Wales Pension Partnership (WPP) products to deliver its strategy as all listed fund assets have now transitioned to WPP. For the WPP both Link and Russell have been appointed through open tender and management agreements for the specific funds include clear performance targets. The procurement of Private Market Allocator(s) is now well advanced. Manager performance is reviewed by both this funds Investment Advisory Panel and the WPP OWG and JGC.</p> <p>Consolidation of WPP Funds have now been incorporated into the regular Investment Panel review cycle with both Russell and Link FS presenting to the Panel on a number of occasions during 2021 and 2022.</p> <p>The Investment Panel advise target ranges for strategic asset allocations.</p> <p>Although the Fund's main objective is long-term growth, the diversification provided by adopting a range of asset classes and fund managers should help to mitigate the impact of poor performance from any particular account or sub-manager.</p>	C	2	Medium - Red / Amber	<p>Maintain relationships with managers both directly appointed by the Fund and WPP Funds. going forward periods of transition activity into the WPP pool will be limited to Private Market Assets. Continue to review any impacts of Brexit especially any that will have a long term impact on the investment performance of the Fund. Monitor any impacts on the Fund following the Russian invasion of Ukraine in Feb 2022 and the subsequent decision to dis-invest in Russian stocks</p> <p>Minimal impact on Fund following Autumn fall in UK Govt. Gilt prices.</p> <p>In parallel with the 2022 Valuation the Fund's Investment Strategy Statement (ISS) has been updated to reflect the increasing significance of ESG issues and the diversification of the Fund's assets into Private Market Asset classes.</p>	Ongoing	Marc Falconer	
P3	Additional risks and costs to the Fund from poorly structured investment arrangements including with WPP sub-funds	B	3	Medium - Red / Amber	<p>The Fund attempts to ensure best value in the following ways:</p> <ul style="list-style-type: none"> <li>• Regular Reports to the Investment Panel on asset valuation and manager performance.</li> <li>• Use of specialist services considered to reduce costs where appropriate (e.g. for transitions and currency transfers).</li> <li>• Custodian arrangements are reviewed or re-tendered when appropriate.</li> </ul>	C	3	Medium - Amber / Green	<p>All listed Assets now invested in WPP sub-funds bringing the benefits of diversification with a multi-manager approach across the board compared to the Fund's legacy assets single manager approach.</p> <p>Monitoring and review processes for assets managed by WPP now incorporated into the regular Investment Panel meetings as well as being standard items on the agenda for the quarterly WPP JGC and OWG meetings.</p> <p>Fund Investments to be further diversified by forthcoming investments into the new WPP Private Credit and (open-ended) Infrastructure sub-funds as well as the Sustainable Active Equity Fund.</p>	Ongoing	Marc Falconer	

P4	Collapse of an Investment Manager involving our portfolio	C	1	Medium - Red / Amber	<ul style="list-style-type: none"> <li>All listed Assets are now managed by WPP so the Fund, will consider the due diligence activity undertaken by Link and Russell on behalf of WPP.</li> <li>All Listed assets are managed through the Fund's custodian to ensure they remain segregated from the manager.</li> <li>The risk that a manager cannot provide a service during windup will be mitigated by the appointment of a Transition Manager to transfer assets efficiently to a new manager.</li> </ul>	C	2	Medium - Red / Amber	<p>The Pool Operator is regulated by FCA and the Pool Custodian will ensure segregation of assets. Consideration to be given for the custodian role to be extended to cover Property and Private Equity assets</p> <p>The diversification benefits of the multi-manager approach adopted by WPP Funds has been highlighted in P3 e.g WPP EM Fund has 6 sub-managers operating under Russell whereas the legacy fund was a single manager.</p> <p>Implications of change of ownership of Link Group and Woodford related investigation of Link by FCA to be kept under review</p>	Ongoing	Marc Falconer	
P5	MIFID II leads to restrictions on the investment products available to the Fund	A	1	High - Red	Collaboration with investment managers, the Pool Operator, other LGPS funds and the LGA to ensure that the Fund is classified as a Professional Investor by all its managers and the Pool.	C	3	Medium - Amber / Green	<p>Training will be the subject of renew attention when the composition of the Pension Committee is confirmed following the May 2022 elections. Focus will be across the board with consideration on provision of training to Officers, Committee and board members as appropriate.</p> <p>Quarterly training provided by WPP is now well integrated into training resources available. Appropriate Training Records to be maintained</p> <p>Officers have returned to in-person conferences</p> <p>Enhanced Focus on In-house Training for Pension Committee (and Board) members during 2023.</p>	Ongoing	Marc Falconer	
P7	Pension Fund Annual Accounts and Report are not produced in compliance with statutory requirements, in line with accounting standards or in line with audit timetable.	B	2	High - Red	The Fund's Custodian provides assurance on the accuracy of investment records (except for property and private equity). Records of benefits paid, contributions received and other expenses are held on SAP. The Group Accountant liaises with external audit and manages the closure process.	C	4	Low - Green	Regular meetings during the financial year between Accountancy and pensions staff to ensure any issues are identified and resolved before year end.	Ongoing	Marc Falconer	
P8	Failure to adhere to LGPS Regulations	B	2	High - Red	<ul style="list-style-type: none"> <li>Investment regulations are considered when setting the ISS</li> <li>Senior Technical Officer undertakes Altair system checks to ensure compliance with LGPS regulations</li> <li>Team leaders/supervisors, ensure legislative accuracy of calculations</li> <li>Network Groups (Altair/Communications/All wales Pensions Officer Group)</li> <li>Comms &amp; Training Officer – responsible for the update of website and online guides. Inform employers of any changes in regulations.</li> </ul>	C	2	Medium - Red / Amber	Engagement with Local Pension Board to develop reporting processes	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	
P9	Failure to communicate with stakeholders	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Contact list for employers updated regularly</li> <li>Annual Employers' Forum held in person (Dec 2022)</li> <li>Trade Union Forum incorporated into Employers Forum</li> <li>Annual report and accounts</li> <li>Member newsletters</li> <li>Dedicated Communication and Training Officer post established</li> <li>Look to use all available communication channels</li> <li>Completed roll-out of member self service facilities for Active Members for Employers using Iconnect.</li> </ul>	C	4	Low - Green	<p>Maintain and update Fund website</p> <p>Roll-out of MSS to Deferred Members to be considered when resources are in place.</p> <p>Engagement with employers through site visits and promotion of Employers' Forum.</p> <p>Seek regular approval of the Pension Administration Strategy and Communication Policy</p>	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	
P10	Withdrawal/default of an employer	B	2	High - Red	<ul style="list-style-type: none"> <li>Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</li> <li>Actuarial valuation aims to balance recovery period with risk of withdrawal</li> <li>Applications for admission to the Fund are considered carefully and guarantees put in place if required</li> </ul>	B	3	Medium - Red / Amber	<p>Improve engagement with admitted bodies where withdrawal is a possibility. Refuse new applications for admission except where there is an obligation to protect rights of employees transferred under TUPE</p> <p>Nov 21 FSS includes drafting to permit the use of Deferred Debt arrangements and other Employer Flexibilities where exit from Pension Fund is being considered.</p> <p>Dec 22 update to FSS include arrangements for Employers with large Pension surpluses (Reduced secondary contributions where Employers Funding level is over 110%) now approved by Pension Committee)</p>	Ongoing	Marc Falconer	

P11	Timeliness and accuracy of pension payments including risks arising from maintaining two separate data recording systems	B	2	High - Red	<ul style="list-style-type: none"> <li>Monthly Pensions are paid by the Council's Pay Centre</li> <li>Payroll deadline procedures in place</li> <li>Authorisation of benefits following calculations</li> <li>Additional checks by Payroll</li> <li>Review of all payroll amendments</li> <li>Ensure all new monthly pension starter listings match amounts on Altair</li> <li>Run monthly SPA reports</li> <li>When someone hits SPA, update Altair and Payroll with GMP details</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>Review configuration of systems</li> <li>Recommend purchasing Altair Payroll to replace SAP</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P12	Pensions continue to be paid to deceased pensioners	B	2	High - Red	<ul style="list-style-type: none"> <li>Monthly ATMOS reviews and Tell Us Once data exchanges match pensioner details with national deaths register</li> <li>Pensioners incorporated into National Fraud Initiative</li> <li>Annual life certificates required from pensioners living overseas</li> <li>Tell Us Once database is being updated monthly via the LGPS NI database.</li> <li>Further targeted checks with credit reference agencies as appropriate</li> </ul>	D	4	Low - Green	Keep current controls under review and adapt or change as required.	Ongoing	Karen O'Donoghue-Harris	
P13	Membership data is not recorded accurately	A	2	High - Red	<ul style="list-style-type: none"> <li>Senior Officers liaise closely with employers to ensure timely and accurate submission of data</li> <li>i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis</li> <li>Data accuracy checks undertaken by the pension section</li> <li>Data validation checks also undertaken by the Fund Actuary at the triennial valuation.</li> </ul>	B	3	Medium - Red / Amber	Discussion in place with the two remaining employers to go live on i-connect	Ongoing	Karen O'Donoghue-Harris	
P14	Breach of GDPR legislation	A	1	High - Red	Information issued to Fund members and published on website; Pensions staff trained on handling personal data; Memo of Understanding issued to Fund employers; contracts with service providers Updated MoU has been sent to Employers	B	3	Medium - Red / Amber	Monitoring and supervision of staff, regular communications to Fund employers	Ongoing	Karen O'Donoghue-Harris	
P15	Failure to complete GMP Reconciliation resulting in inaccurate payments to pensioners	A	2	High - Red	<ul style="list-style-type: none"> <li>Regular update meetings with JLT</li> <li>Prompt resolution of cases referred back to Fund</li> <li>Fund decision made on stalemate cases</li> <li>Agreed Action Plan in place</li> <li>Critical task and timelines agreed</li> <li>Target end date</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>closely monitor the key tasks that need to be completed</li> <li>As any GMP adjustments are implemented, ensure there is a reconciliation between Altair and SAP.</li> <li>Mercer have provided a draft Project Plan and as a combined group, taking into account the actions that are required it has been decided to complete the actual rectification calculations following the April 2022 Pensions Increase (because there is not sufficient time between now and March 2022 to complete all the tasks without introducing a higher risk.</li> <li>Officers contacted Mercer following the concerns raised over the delay in completing this exercise and Mercer have agreed that activity is to commence after Pension Increases in April with a target completion date of October 23</li> </ul>	31-Oct-23	Karen O'Donoghue-Harris	
P16	Failure to deliver Annual Benefit Statements by statutory deadline of 31 August	A	2	High - Red	Member Self-Service will allow Active Members to update records and improve compliance.	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>For 22/23 Statements MSS to be used to enhance the service provided to Scheme members</li> <li>MSS to be used for Active Members to upload statements ensuring higher compliance levels</li> <li>Savings on printing and postage costs</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P17	Cyber security	A	1	High - Red	Access to all systems is password protected, additional password protection for access to Altair all Staff have completed mandatory modules on cyber security ICT have undertaken an independent review of the Fund's cyber security and reported findings to Pension Board & Committee	B	2	High - Red	continue to follow advice from ICT and update procedures as required Staff continue to complete relevant new e-learning modules as well as considering relevant information from external organisations such as TPR.	Ongoing	Karen O'Donoghue-Harris	

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P18	Exit Payment Cap	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>Warning still kept on costs estimates for Employers that these are provided under existing regulations and could be subject to change</li> </ul>	C	4	Low - Green	If new regulations are tabled consideration will be given at that time to appropriate controls	Ongoing	Karen O'Donoghue-Harris	
P19	McCloud - huge administrative burden, failure to have correct resources to deal with the additional work	B	2	High - Red	<ul style="list-style-type: none"> <li>Employers warned at Employer forum that they will be required to supply missing data</li> <li>AON commissioned to run reports to identify affected members</li> <li>LGA templates used to upload missing data</li> <li>Templates issued to all employers</li> <li>Deadline set for return of data</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Use third party to assist with project management with external advice provision now included in Business Plan.</li> <li>New staffing structure approval and recruitment process underway</li> <li>Good progress with uploading data, all small employers completed now working on Cardiff Council</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P20	Resource Implications - Pension Section has insufficient resources to respond to the multiple workload pressures facing the section e.g. McCloud, Exit Cap, Dashboards, etc. and recruitment and retention of staff	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Scenario planning to be incorporated into 21/22 Business Plan to consider mix of additional resources required in particular what activities would require additional internal resources and what activities would be undertaken by external parties.</li> <li>Use of external resources to provide additional short term capacity</li> </ul>	B	2	High - Red	<ul style="list-style-type: none"> <li>continual monitoring of Pension section workload and updates to resource planning including business plan and budgets.</li> <li>recruitment process for 6 additional staff has commenced with 2 senior offices appointed in November 21 and the remaining 4 post being readvertised in April/May 22 after an unsuccessful recruitment to fill all posts in December 21. Following 2 rounds of unsuccessful recruitment a further round of recruitment is taking place. Officers plan on looking at alternate recruitment opportunities to fill the vacant posts (Oct 22). Further recruitment round was unsuccessful so now looking at alternative approaches. Three Grade 3 appointments via Cardiff Works have now been made and have started in the section. Grade 5 "CV" approach has been discussed with HR and is going to be used for temporary Grade 5 posts. 9 applicants were received for these posts with 7 shortlisted and interviews are due to be held before end of April 2023</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P21	The Fund fails to adequately account for climate change, climate risk and ESG factors with Financial loss to assets held and potential for "stranded assets".	B	2	High - Red	Publication of a Responsible Investment policy and Climate Risk Policy both for the Fund and the WPP Transfer of funds to BlackRock Low Carbon Tracker Fund	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>continued evolution of WPP sub-funds that allows climate risk and other ESG factors to be managed e.g. proposals to introduce a decarbonisation overlay to UK Opportunities Fund were implemented from June 2022.</li> <li>WPP Sustainable equity sub-fund target launch date of May 2023</li> <li>Continued engagement and challenge to Investment Managers, especially via WPP (Robeco), on how they manage climate and ESG risks</li> <li>reporting of suitable climate change and ESG metrics</li> <li>continued training focus including with the WPP Voting and Engagement provider</li> <li>WPP re-application for the FRC Stewardship code submitted in Oct 23 was successful</li> <li>The Pension Committee (Feb 23) agreed that the Fund should undertake further work to consider settings its own net zero target.</li> </ul>	Ongoing	Marc Falconer	

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Risk Matrix and Definitions

High Priority	Red - Significant management action, control, evaluation or improvements req
Medium Priority	Red / Amber - Seek cost effective management action, control, evaluation or ii
Medium Priority	Amber / Green - Seek cost effective control improvements if possible and/or n
Low Priority	Green - Seek control improvements if possible and/or monitor and review

		IMPACT			
		1	2	3	4
LIKELIHOOD	A	A1	A2	A3	A4
	B	B1	B2	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4

LIKELIHOOD

- A Very Likely
- B Likely
- C Possible
- D Unlikely
- E Very Unlikely

IMPACT

- 1 Major
- 2 significant
- 3 Moderate
- 4 Minor

Mae'r dudalen hon yn wag yn fwriadol



**CARDIFF COUNCIL  
CYNGOR CAERDYDD****PENSIONS COMMITTEE: 15 MAY 2023****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM : 6**

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**BUSINESS PLAN FOR 2023/24****Reason for this Report**

1. To present to the Committee the Fund's Business Plan for 2023/24.

**Background**

2. The day-to-day administration of the Pension Fund is carried out by the Pensions Section based in County Hall. The Section carries out a range of functions including maintaining member records held on the Altair system, providing information to Fund members, calculating and paying benefits to Fund members and giving advice to Fund employers.

**Business Plan**

3. A copy of the 2023/24 Business Plan is attached as Appendix 1. The Business Plan was presented to the 18 April 2023 meeting of the Local Pension Board for review. The purpose of the Business Plan is to set out the key action points for the administration of the Fund over the next financial year in the context of the Fund's goals and objectives over the longer term. The Plan also includes membership statistics for the current and previous three years.
4. The Plan outlines the key work priorities for the Fund over the next twelve months which include :-
  - Further enhance the diversity of the Fund's Investments by investing in the new WPP sub-funds to be launched or expected to be launched in 2023/24 which include :
    - Private Credit
    - Infrastructure – Open-ended
    - Sustainable Global Equity
    - Private Equity
  - Continue to progress the procurements of the WPP Operator and Property sub-fund.

- Further work to assist with the setting of a Net Zero target for the Fund
  - Continued focus on training for both Fund officers and Pension Board and Committee Members
  - Continue to review the opportunities for digitalisation including a further role out of Member Self Service (MSS).
  - Continue with the progress to deliver on projects such as McCloud, when final regulations and time scales are announced, Guaranteed Minimum Pensions (GMP) and Pension Dashboards.
  - Managing the Resource implications of these activities including the associated recruitment to fill the additional posts previously created.
5. The Business Plan also includes a summary of the Fund's achievements over the last financial year which include :-
- Continued to develop the hybrid working model to deliver the service to Fund members encouraging the use of electronic communication and in particular promoting the use of Member Self Service for Active Members.
  - An enhanced focus on pension scams including the renew of the Funds pledge to combat scams and following the advice of The Pension Regulator the introduction of more stringent checks on outgoing transfer from the Fund.
  - An on-going recruitment process to fill vacant posts including the use of Cardiff works Agency staff to fill the more junior grades. An additional temporary senior role to assist with specialist project work such as McCloud has been created.
  - Work on the development of the WPP Private Market Funds continued with Managers being appointed for the Private Credit, Infrastructure (Open and Closed ended) and Private Equity sub-funds.
  - The multi-manager line-up for the WPP Sustainable Equity Fund has been finalised although the target launch for this sub-fund has slipped from Late March to late May 2023.
  - Procurements for both the WPP Operator and Property sub-fund Manager commenced with Market Engagement days during March 2023.
  - Completion of the 2022 triennial valuation including updated Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).
6. The Plan includes a summary budget for 2023/24, where:
- The Fund's sources of income are:
- the contributions from employers and employees
  - investment returns in the form of income and capital growth

The Fund's expenditure comprises:

- payment of pension benefits
- investment management expenses
- administration and governance expenses

The budget assumes a broadly "cashflow neutral" position in which contributions received match benefits paid and administration expenses although the trend in recent years has been that the Fund has had a positive cashflow with contributions received exceeding benefits paid.

The provision for external support for the Fund has been increased to £300,000, from £250,000 in 2022/23, to cover some of the additional work required around the Fund setting its own Net Zero target. The provision will also be used, if required, to assist internal resources in meeting future challenges for the Pension Fund in delivering some of the work priorities identified for 2023/24 including McCloud, Pension Dashboards, the Single Code of Practice, the Good Governance review and TCFD reporting requirements.

## Legal Implications

7. Various legislation, regulations, and government guidance impose obligations on administering authorities in relation to the administration of the LGPS, including in relation to requirements to prepare and maintain prescribed strategy statements. The recommendations refer to the fund's Business Plan for 2023/24 and approval of the same is being sought from the Committee. The Business Plan is a technical document/and or contains technical objectives/priorities for the fund in the forthcoming year. These may require expert advice which may be outside the expertise of the in house Legal Service. The Committee should ensure that it has full and proper advice on such matters before proceeding to make a decision. It is understood by Legal Services that the service area has taken assistance and advice from appropriate external advisors before presenting the recommendations for approval.

### General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to

the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2023-26 : <https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Pages/Corporate-Plan.aspx>

The well-being duty also requires the Council to act in accordance with ‘sustainable development principle’. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

## **Financial Implications**

8. There are no financial implications arising from this report.

## **Recommendations**

9. That the Committee approve the Business Plan for 2023/24.

**CHRISTOPHER LEE  
CORPORATE DIRECTOR RESOURCES**

**Appendices:**

Appendix 1 – Business Plan 2023-24

Mae'r dudalen hon yn wag yn fwriadol



## Introduction

Cardiff Council is the Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund ('the Fund') which is part of the Local Government Pension Scheme (LGPS).

Strategic management of the Fund is delegated to the Pensions Committee and operational management is delegated to the Corporate Director Resources. Advice on investment matters is provided by the Investment Advisory Panel. The Local Pension Board assist the Council as Scheme Manager to secure compliance with the LGPS Regulations and to ensure the effective and efficient governance and administration of the scheme.

The Fund is administered in-house by the Pensions Section based in County Hall, Cardiff, using the Altair administration system provided and hosted by Aquila Heywood.

The Fund, along with the other seven LGPS Funds in Wales, is a member of the Wales Pension Partnership (WPP) which provides a pooled platform to address the investment requirements of the individual Welsh LGPS. The individual Funds set their strategic asset allocations with WPP sub-funds increasingly providing the products to deliver these allocations.

The purpose of this document is to set out a business plan for the Fund for the 2023/24 financial year in the context of the Fund's goals and objectives over the longer term.

## Fund Objectives

The principle aim of the Fund is to provide pensions, effectively and efficiently, 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 for prudence and caution in considering the future liability profile of the Fund.

The Fund also aims:

- To continue to improve the administrative capability of the Fund's administration and investment services
- To improve performance in meeting set targets within pension administration
- To consider proactively the increased use of new technology and electronic communications
- To monitor regularly the resources allocated to meet the challenges of a changing pension environment
- To prepare the Fund's Annual Report and other statutory returns
- To monitor management and custody costs regularly
- To identify investment opportunities which do not conflict with the Fund's fiduciary duties to seek an optimum return whilst at the same time takes

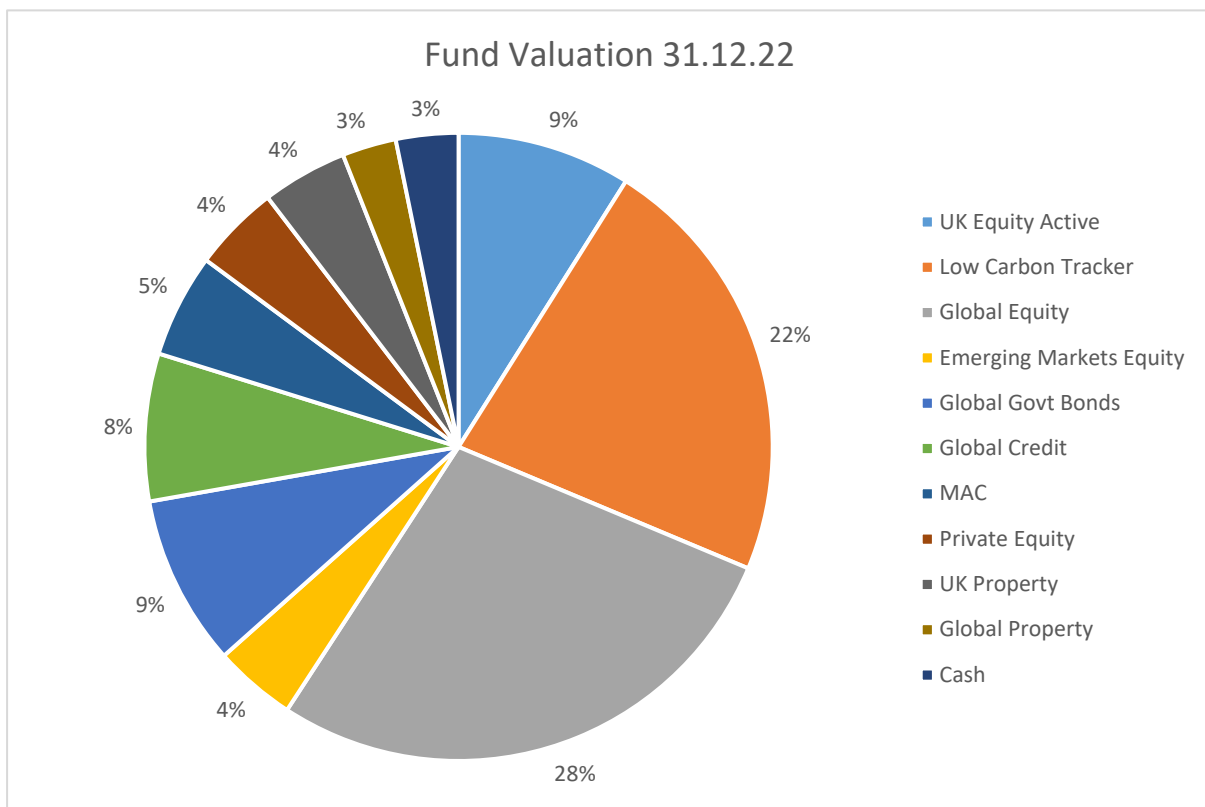


account of Social, Environmental and Governance (ESG) concerns and issues. It recognises the concerns of the Council and other stakeholders regarding climate change and has and will continue to develop its investment strategy in response to those specific concerns and wider ESG issues.

## Fund Statistics

The Fund was valued at **£2,559 million** as at 31 December 2022.

The Asset Allocation of the Fund as at 31 December 2022 was:



Fund membership (as reported in the Fund's Annual Accounts) was:

	31/3/2020	31/03/2021	31/03/2022	31/03/2023(tbc)
Contributors	17,699	16,936	16,876	17,557
Pensioners	11,945	12,190	12,515	12,861
Deferred pensioners	13,608	13,755	17,430	19,348
<b>Total membership</b>	<b>43,252</b>	<b>42,881</b>	<b>46,821</b>	<b>49,766</b>

Contributions and benefits in the current and previous 3 years were as follows:

	2019/20 (actual) £000s	2020/21 (actual) £000s	2021/22 (actual) £000s	2022/23 (projected) £000s
Contributions Received	-98,297	-91,058	-100,065	
Retirement Pensions	70,038	71,463	72,694	
Retirement Lump Sums	16,183	10,528	12,006	
Death Grants	2,983	2,413	2,739	
Refunded Contributions	274	86	135	
Net Transfers (Transfers paid less transfers received)	-2,243	307	453	
<b>Net Expenditure (Income)</b>	<b>-11,062</b>	<b>-6,261</b>	<b>-12,038</b>	

Volumes of key tasks in the current and previous 4 financial years:

	2018/19	2019/20	2020/21	2021/22	2022/23
Retirement Estimates	983	425	304	385	468
Retirements	765	748	496	658	692
Refunds	246	324	186	121	201
Deferred	690	600	465	554	685
Transfer Out - Estimates	204	581	331	157	167
Transfer Out - Payments	159	184	120	202	342
Aggregation of membership	218	205	202	222	79

## Achievements 2022-23

In addition to processing higher volumes in most key task areas than in the previous year, as illustrated in the table above, during 2022/23 the Pensions Section:

- Delivered Annual Benefit Statements to 96.7% of active and 82.8% of deferred members by the deadline of 31 August 2022.
- Continued to adapt working patterns to hybrid working to ensure continuation of the service to scheme members and participating employers.
- Further work with ICT has continued during 2022/23 to support hybrid working e.g. the Pension section was the first area of the Council to introduce “soft” phones to allow phone calls to be accessed via staff laptops.
- Continued to encourage the use of electronic communication within the Pensions Team and with Stakeholders. This increase has helped to deliver a quicker and more efficient service, improving the significant increase in correspondence using this channel.

- Ensured any Fund decisions that needed to be made regarding GMP reconciliation, were submitted on time to Mercer (JLT), to meet HMRC deadlines for final data cuts
- Continued to promote the use of Member Self Service for Active members, giving these Active members pension access 24/7 every day of the year.
- Contact with Employers and Stakeholders such as Pension Committee, Pension Board, Investment Panel and Employer Forum was split between electronic communication and face to face communication as the year progressed.
- The Fund renewed its Pledge to combat Pension Scams which shows the Fund's intent to protect our members. It tells our members and the pensions industry that we are committed to stopping scammers in their tracks.
- Introduced more stringent checking for transfers out following guidance from The Pensions Regulator
- Ongoing recruitment process to fill vacant posts, including using Cardiff Works agency staff to cover the vacancies. Created an additional temporary senior role to assist with specialist project work such as McCloud.
- A number of new organisation joined the Fund as Admitted Bodies mainly as a result of small outsourcing contracts in Cardiff and the Vale of Glamorgan.
- Following the extensive transitions to WPP sub-funds for the Fund's listed assets that took place during 2021/22 the WPP focus turned towards creating Private Market sub-funds. Although the sub-funds were not launched in 2022/23 Managers have been appointed for the WPP's Private Credit, Infrastructure (Open and Closed ended) and Private Equity sub-funds. The Pension Committee approved investing in these Funds with the Open Ended Fund being the initial choice for the Infrastructure investment.
- All of the Fund's listed assets remain in either WPP sub-funds or the pooled procurement passive equity fund provided by BlackRock with c85% of the Fund's value in these pooled funds.
- The multi-manager line-up for the WPP Sustainable Equity Fund has been finalised although the target launch for this sub-fund has slipped from Late March to late May 2023.
- The procurement process for both the WPP Operator and Property sub-fund Manager commenced with Market Engagement days held in Cardiff during March 2023.
- The Pension Committee at its meeting in February 2023 agreed that work should commence in developing a Net Zero Target for the Fund.
- In February 2023 the WPP was notified that it had been successful in its re-application to remain a signatory to the FCA Stewardship code
- The independent actuarial triennial valuation, as at 31 March 2022 was completed during 2022/23. The valuation, which is undertaken every 3 years, saw a small increase in the Funding level to 98%, compared to the 96% reported for the 2019 valuation. This increase was achieved in spite of the inclusion of more prudent assumptions - probability of funding success, recovery period, short term inflation provision – compared to the equivalent positions in the 2019 Valuation. Employers were informed of their contributions for 2023/24 and the two subsequent financial years in December 2022 in advance of the Employers Forum. Key Fund documents the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) were also updated in parallel with the Valuation process and approved by the Pension Committee in February 2023.

## Work Priorities 2023-24

The Pension Fund faces a number of challenges over the next twelve months.

### Investments and the Wales Pensions Partnership

Following the appointment of the Allocators / Managers for the WPP Private Market sub-funds the launch of the Private Credit and Infrastructure Funds are expected to take place early in 2023/24. The Fund will be investing in the Private Credit and Open-ended Infrastructure Funds.

The target launch of the WPP Sustainable Equity Sub-Fund is the end of May 2023, having slipped from March 2023. This sub-fund has the same targets and benchmarks as the existing WPP Global Equity Sub-Funds and the investment in this sub-fund will be funded by a reduction in the two current global equity sub-funds.

A launch date has still to be confirmed for the WPP Private Equity sub-fund but this sub-fund is expected to launch during 2023/24.

Investments in the WPP sub-funds listed above will further enhance the diversity of the Fund's investment mix.

WPP and Constituent Authority officers, including representatives from this Fund, will continue to progress the procurements of the WPP Operator as well as the Manager(s) for the new WPP Property sub-fund.

Fund Officers and Members will continue to further develop proposals for responsible investment in response to concerns about climate change risk and other environmental, social and governance (ESG) issues raised by the Fund's stakeholders. Following the recommendation from the February 2023 Pension Committee meeting Fund officers will undertake further work in taking forward the proposal that the Fund sets its own Net Zero target.

### Communications & Training

During 2022 – 23 face to face training did resume, but the majority remained online. Feedback indicates the Pension Team and Board members, are happy with the majority of training. However, it does not replace the face to face training where it is easier to ask questions and have discussions with other attendees. Some training sessions are very long, with 5-6 hours of training, which makes it difficult to maintain the same level of focus.

- The pensions team has resumed external training and a 6 members of the Team attended the Insight Course provided by LGA
- The Local Pension Board also attended a number of external training courses this year.

Objectives for 2023/24 include:

- Encourage team members to work towards recognised qualifications where appropriate.

- Encourage Pension Board and Pension Committee members to attend all relevant training courses throughout the year to help increase and maintain pension knowledge.
- Restart a programme of regular visits and training to all Fund Employers
- Restart a programme of in-house training for Pension Committee members around existing Pension Committee dates.

### Digitalisation

The majority of Employers are now submitting their information via i-connect. We currently have two employers who are still struggling to link their payroll systems/information to i-connect. We are working closely with these two Employers to help them to connect as soon as possible.

We completed the roll out of Member Self Service (MSS) in December 2021 to all Employers who are using i-connect to submit their pension information. We have had a lot of positive feedback from active members using MSS. The next step is to roll out MSS to all deferred pension members, however, before we can start this process we will need to clear the back log of deferred calculations. We are currently in the process of recruiting more staff which will help with the increased workload within the team. We will also need to adopt Altair Pensioner Payroll before we can look to roll out MSS to Pensioner members.

### Reconciliation of Contracted out Liabilities

The reconciliation phase of the GMP project was completed by Mercer in October. However, it was agreed to complete the final rectification calculations following the April 22 Pensions Increase as there was not sufficient time to complete all the tasks without introducing higher risk. Prior to Pensions Increase we worked with Mercer to agree the Benefit Specification. Mercer have now been provided with up-to-date post pensions increase data for them to carry out the final phase of the project. We are expecting the final reports of all members who have been under/overpaid by July/August 22.

This is still ongoing due to Mercer were experiencing challenges in delivering to previously agreed timescales. Mercer were not able to deliver the Fund's Rectification results ahead of the implementation of Pensions Increase in April 2023. A revised timeline was discussed, and it was agreed a new set of data would be sent to Mercer in April, after the pensions increase has been applied.

However, Mercer have now changed the data specifications so the Fund have been liaising with the software provider to see if they can assist to move the project forward and conclude the final rectifications during 23/24.

### McCloud

The Government is expected to lay LGPS regulations before the summer recess, paving the way for the remedy to be implemented in LGPS. The regulations are expected to come into force on 01 October 2023.

Reminders have been sent to those employers who have not yet returned their data. Initial activity in 2022/23 has concentrated on uploading data for smaller employers, before moving on to the larger employers. This is a manual process in order to ensure previous data where adjustments have been made due to the nature of employment is not overwritten.

### Resources

Following the review of additional workloads undertaken during 2021/22 a requirement for 6 additional posts was identified and progress in filling these posts was outlined in the 2021/22 Achievements section. The on-going nature of the recruitment process was highlighted with a second and third unsuccessful round for the recruitment process taking place during 2022/23. In light of the difficulties encountered in recruiting the provision of £250,000 for the use of external resources which was included in the 2022/23 Business Plan has been increased to £300,00 in this Business Plan to support the additional work required for the potential setting of a Net Zero target for the Fund. The provision will also be used, if required, to assist internal resources in meeting future challenges for the Pension Fund in delivering some of the work priorities identified for 2023/24 including McCloud, Pension Dashboards, the Single Code of Practice, the Good Governance review and TCFD reporting requirements.

## **Key Performance Indicators**

The Administration Section has the following target response times for key tasks. Performance data is captured and reported by the Altair system.

<b>Task</b>	<b>Target Response Time</b>
Transfer in quote	10 working days
Transfer out quote	10 working days
Deferred benefit statement	30 working days
Death Acknowledgement	5 working days
Death Benefits sent	10 working days
Actual Retirements - note of provisional benefits	15 working days
Actual Retirements - calculation of actual benefits	15 working days
Estimate of pension benefits	15 working days

## **Fund Budget for 2023/24**

Pension Fund expenditure and income is difficult to forecast in the short term as benefit payments are demand-led whilst investment income and changes in asset values are largely driven by market responses to economic and political factors. A summary budget is shown below.

At a strategic, high level Benefit Payments and Administration Expenses are anticipated to be matched by contributions received whilst expenses of governance and investment management are expected to be covered by investment income. Growth in investment asset values is projected in line with the actuaries' market assumptions and will be monitored closely throughout the year with reports to Investment Panel, Pension Board and Pension Committee. Any surplus cash will be invested in line with the Fund's Investment Strategy Statement.



		£000	£000
<b>CONTRIBUTIONS AND BENEFITS</b>			
<b>Income:</b>	Contributions Receivable		
	<i>Employers</i>	(81,700)	
	<i>Employees</i>	(24,600)	
			(106,300)
<b>Expenditure:</b>	Benefits Payable		
	<i>Pensions</i>	82,400	
	<i>Lump Sums</i>	19,200	
			101,600
	Administration Expenses		
	<i>Staff Costs</i>	1,000	
	<i>Other Costs</i>	500	
	<i>Third Party Advice</i>	300	
			1,800
			<b>(2,900)</b>
<b>INVESTMENTS</b>			
<b>Income:</b>	Investment Income	(25,500)	
	Change in Market Value of Investments	(147,300)	
			(172,800)
<b>Expenditure:</b>	Manager Fees	6,400	
	Custody & Other Costs	250	
			6,650
<b>GOVERNANCE</b>			
<b>Expenditure:</b>	Pension Committee & Panel	80	
	Local Pension Board	40	
	Wales Pension Partnership	210	
	Staff Costs (non-admin)	100	
	Accountancy & Internal Audit	100	
	External Audit Fee	50	
			580
<b>NET SURPLUS</b>			<b>(171,370)</b>
<b>TOTAL ASSETS</b>	31/12/2022		<b>2,559,000</b>
	Projected 31/03/2024		<b>2,730,370</b>





**CARDIFF & VALE OF GLAMORGAN PENSION FUND  
LOCAL PENSION BOARD  
24 JANUARY 2023**

Present: Mr Michael Prior (Independent Chair)

Employers Representatives:  
Mark Sims (Barry Town Council)  
Laithe Bonni (Vale of Glamorgan)

Scheme Member Representatives:  
Ms H Williams (Unison Nominee)  
Mr Peter King (Unison Nominee)

In Attendance: Chris Lee, Corporate Director Resources  
Marc Falconer, Pensions Manager  
Gary Watkins, OM Revenues.  
Jayne Newton, Communications and Training Officer  
Karen O'Donoghue-Harris, Pensions Team  
Andrea Redmond, Democratic Services Officer

**1: Apologies and Declarations of Interest**

Apologies had been received from David Llewellyn and Georgia Chedzey. There were no declarations of interest.

**2: Minutes of previous meeting and Matters arising**

The minutes of the meeting held on 7 November 2022 were agreed as a correct record.

Matters arising:

There were no matters arising that were not covered as items on the agenda.

**3: Administration Update**

This report was to update the Board concerning work being carried out by the Pensions Section.

The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board Members.

HW asked about the timeline for sending information to people who are taking redundancy. Officers advised that 14 days are scheduled to return the information to HR once the request has been received, but it generally takes around 7 days.

MS noted that there are a large number of tasks, and the majority are met within their timeframe. For those that don't meet the timeframe, MS asked if the target was realistic and whether it was set by us or by guidelines. Officers advised that they were guidelines.

LPB members discussed the priority given to meeting the benefits statements on time and the push to improving take up of the Member Self-Serve. It was noted that Cardiff has the highest take up of Member Self-Serve in Wales.

Officers emphasised that they make sure they pay peoples pensions on time and accurately and that is the main priority.

A discussion took place around the vacancies and the impact this must be having on staff and performance. Officers assured LBP members that they are hitting the high priority items in the 90+% consistently.

The Chair stated that it was also the outcome for members and the overall backlog of work. Officers explained that there are approx. 4000 items sitting in backlog but assured LPB members that these were not priority items. Regarding members, Officers stated that they don't receive any complaints, in fact they have received quite a few compliments, which are shared with GW and passed on to staff accordingly. The Chair stated it was good to prioritise the work but noted that there was still lots of work for the team to catch up on.

**ACTION: provide a breakdown of the work i.e., mission critical – GW**

LPB members discussed people having difficulty obtaining accurate quotes if they have requested a quote within the last 2 years. It was noted that the member self-serve website directs members to the Pension Team. Officers advised that a request has been made to take that message down from the website and the quote on the Member self-serve should be accurate.

LPB members discussed vacancies and were pleased to see that a meeting had been arranged with the head of HR, as this was not a short term issue but a medium to long term issue. A discussion took place around the job adverts and the Chairperson considered it would be helpful if the Board had sight of them. Officers agreed and explained that the head of HR had suggested the wording but that it could be adjusted to make the advert more attractive to applicants.

Referring to GMP reconciliation, LPB members were interested to know the implications of the delay and how many members were impacted by the reconciliation. Officers advised that they had asked but the information was not available. GW stated that they had asked if they had completed with any local client, but they had not. The Chair noted that it was probably a lot of small adjustments, but this couldn't be confirmed until the data was available from Mercer, this was another sign of the pressures that pension sector is under at the moment.

**ACTION - PK suggested that the wording in the report be changed from 'honest' to 'open'.**

The Chair referred to McCloud and the LGPS changes/regulations being delayed and asked about the impact of this. Officers said that they haven't had any information as yet, the work they were doing at the moment was more like data cleansing to be ready for the new changes coming in. Very few people would be impacted, mainly those who had had a significant promotion late in their career therefore impacting their final salary pension, Officers go back to 2012 and look at the McCloud judgement.

Discussing the dashboards, the Chair considered that there was a need for extra capacity in the Team.

Discussing the Employer Forum, it was noted that the Board will be represented. It was suggested that the room could be set up more informally and that personal invitations may encourage more attendees.

**RESOLVED: to** note the report.

#### **4. Review of the Risk Register**

Officers outlined the report, and the Chairperson noted the updated comments were in red type.

The Chair considered it was helpful to see recent events incorporated into the register and acknowledged.

LPB members discussed requests for opt outs in light of the cost of living crisis and Officers advised that this question had also been asked by the LGA, officers had not seen an increase but will keep monitoring this.

LPB members discussed direct debit payments and the 50/50 scheme, and considered these should be monitored too in light of the cost of living crisis. HW advised that she had receive her first ever enquiry about the 50/50 from 2 people in December 2020.

Officers advised that a salary sacrifice scheme for Additional Voluntary Contributions was being launched and in the few weeks that Cardiff had been live there had been 440 new member take ups.

**RESOLVED: to** note the report.

#### **5. Review of Governance Compliance Statement**

Officers outlined the report to LPB members.

It was noted that the report would go to Pensions Cttee on 6 February 2023 for approval.

**RESOLVED: to** note the Governance Compliance Statement and agreed that it goes before the 6 February 2023 meeting of the Pension Committee.

**6: Annual Review of Fund Policies and Strategies (Communications Policy, Complaints and Compliments Policy & Pensions Administration Strategy)**

Officers outlined the report to LPB members and highlighted the minor updates to each policy.

It was noted that the report would go to Pensions Cttee on 6 February 2023 for approval.

**ACTION – to add reference to the Independent Chair of the LPB - KODH**

**RESOLVED:** to note the revised Communications Policy, Complaints and Compliments Policy and Administration Strategy.

**7: Wales Pension Partnership and Investment Update**

Officers outlined the update report to LPB members.

Clarification was sought in relation to paragraph 5 and whether the figures referred to the Cardiff Fund or the WPP, Officer advised they related to the Cardiff Fund.

The Chair noted that after adjustments, almost 90% would be in WPP funds.

**ACTION: FRC reporting to be added to the website - JN**

**RESOLVED:** to note the developments with the WPP and the Fund's Investments

**8: Funding Strategy Statement (FSS) and 31 March 2022 Valuation update**

Officers provided a thorough outline of the report and key issues, noting that there had not been a huge change in the valuation. LPB Members were advised that the report would go to Pensions Cttee on 6 February 2023 for approval, after which it would be posted on the funds website.

Members discussed the slight increase in terms of funding and noted that most employers were happy with this however there was a slight divergence with the smaller orphan employers who may pay the same or even higher rates due to the volatility of memberships and change in contribution rates to reflect that.

Officers explained the approach of added prudence, paying deficits back faster and being cautious with the actuaries estimates as there were still uncertainties in the geo-political world.

**RESOLVED:** to note the 31 March 2022 valuation process and the draft FSS and agreed to the document being considered by the Pension Committee.

**9: Any Other Business**

A discussion took place around the new defined benefit funding code. The Chair noted that this was something the LGA would have been involved in rather than the LPB, but it may be useful to see if there would be any impacts, resource implications etc.

**ACTION – Chair to liaise with JN to bring something forward to a future meeting.**

**Date of next meeting**

18 April 2023

Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Mae'r ddogfen yn gyfyngedig

Mae'r dudalen hon yn wag yn fwriadol