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AGENDA

Pwyllgor	PWYLLGOR PENSIYNAU
Dyddiad ac amser y cyfarfod	DYDD LLUN, 5 CHWEFROR 2024, 5.00 PM
Lleoliad	CYFARFOD O BELL- TIMAU
Aelodaeth	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'r Cod Ymddygiad Aelodau.

3 Cofnodion (*Tudalennau 3 - 4*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 27 Tachwedd 2023 fel gwir gofnod.

4 Adolygiad Blynyddol o Bolisiâu a Strategaethau'r Gronfa (*Tudalennau 5 - 8*)

Adolygu Strategaeth Polisi Cyfathrebu, Cwynion a Gweinyddu Pensiynau'r Gronfa.

Atodiadau i ddilyn

5 Adolygu Datganiad Cydymffurfiaeth Llywodraethu (*Tudalennau 9 - 20*)

Adolygu Datganiad Cydymffurfiaeth Llywodraethu'r Gronfa.

6 Diweddariad ar Bartneriaeth Pensiwn Cymru ac ar Fuddsoddiadau
(*Tudalennau 21 - 40*)

Cael diweddariad ar Bartneriaeth Pensiwn Cymru ac ar Fuddsoddiadau'r Gronfa.

7 Cofrestr Risgiau (*Tudalennau 41 - 50*)

Ystyried Cofrestr Risgiau'r Gronfa Bensiwn.

8 Cofnodion y Bwrdd Pensiynau Lleol (*Tudalennau 51 - 60*)

Nodi cofnodion cyfarfod y Bwrdd Pensiynau Lleol a gynhaliwyd ar 7 Tachwedd 2023.

9 Eitemau brys (os oes rhai)

10 Dyddiad y cyfarfod nesaf

Bydd cyfarfod nesaf y Pwyllgor Pensiynau ar 20 Mai 2023 am 5pm.

Sesiwn Hyfforddi

Yn dilyn Cyfarfod y Pwyllgor bydd sesiwn hyfforddi ar gyfer Aelodau'r Pwyllgor ar Fuddsoddiadau Eiddo a McCloud

D Marles

Swyddog Monitro Dros Dro

Dyddiad: Dydd Mawrth, 30 Ionawr 2024

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

PENSIONS COMMITTEE

27 NOVEMBER 2023

Present: Councillor Weaver(Chairperson)
Councillors Dilwar Ali and Reid-Jones

8 : APOLOGIES FOR ABSENCE

Apologies had been received from Cllr Taylor.

9 : DECLARATIONS OF INTEREST

None received.

10 : MINUTES

The minutes of the meeting held on 31 July 2023 were agreed as a correct record.

11 : ANNUAL REPORT

Officers provided a comprehensive outline of the report, after which the Chairperson invited questions, comments, and observations from Members.

The Chairperson noted that the Statement of Accounts element of the Annual Report had been before full Council and only minor formatting changes were needed for the final version of the Annual Report.

There were no further questions from Members of the committee.

RESOLVED: To approve the Annual Report appended as Appendix 1 subject to the minor formatting amendments being made.

12 : WALES PENSION PARTNERSHIP AND INVESTMENT UPDATE

Officers provided a comprehensive outline of the report, after which the Chairperson invited questions, comments, and observations from Members.

The Chairperson asked, in terms of the fund, about the most notable implications of the Governments decisions in response to the consultation. The Chairperson considered that as a pool, we had put forward a good and rational response to the consultation, but there are indications of the Government pushing ahead with some aspects anyway.

Officers considered that there would be no real implications in the short term, in the medium term it may mean that some new investment in the private market will address the target of 5% of the levelling up project. Regarding passive investments, Officers considered that fees are relatively inexpensive anyway so this probably would not be a value for money justification for pooling. Officers further added that they considered that the fund is in a good place with regards to the assets already transferred to the WPP and the rationale for those not transferring. With new Private

Market investments there would be a move to WPP sub funds, and this is already underway.

In the longer term, there is an expectation that pools will become larger, which could mean pool mergers taking place and Officers considered this would be a shame for the smaller Welsh pool with its own national identity was forced to merge. . Officers were pleased however that pools could still be autonomous and would set their own Investment Strategy, especially with working towards Net Zero.

Officers added that there was a Summary note on the Governments response to the pooling consultation available from Hymans Robertson which could be circulated to Members.

RESOLVED: to note the recent developments related to the WPP Investment Pool and the Fund's Investment holdings.

13 : RISK REGISTER

Officers provided a comprehensive outline of the report, after which the Chairperson invited questions, comments, and observations from Members.

Committee Members were advised that the Risk Register had been before the Local Pension Board earlier in the month. The minor amendments proposed had been accepted by them and were shown in red in the report for ease of reference.

RESOLVED: to note the contents of the Risk Register.

14 : MINUTES OF THE LOCAL PENSION BOARD

Noted.

15 : EXCLUSION OF THE PUBLIC

RESOLVED that Item 9 is confidential and not for publication by virtue of paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. The public were excluded from the meeting for the presentation of this item in accordance with the same legislation.

16 : MINUTES OF THE INVESTMENT ADVISORY PANEL

Noted.

17 : URGENT ITEMS (IF ANY)

None received.

18 : DATE OF NEXT MEETING

5 February 2024, 5.00pm.

The meeting terminated at 5.32 pm

PENSION FUND ANNUAL REVIEW OF FUND POLICIES AND STRATEGIES**Reason for this Report**

1. To complete the review of the Communication Policy, Complaints and Compliments Policy and Administration Strategy for the Pension Fund.

Background

2. Regulation 61 of the LGPS Regulations 2013 states that Administering Authorities must prepare and publish a Communication Policy. The Pension Regulator had previously recommended that the Cardiff and Vale of Glamorgan Pension Fund develop and implement a Communication Policy.
3. All three documents were previously considered by the Pension Committee at its meeting on 6 February 2023. The meeting of the Local Pension Board on 29 January 2024 considered the updated versions of the Communications Policy, Complaints and Compliments Policy and the Administration Strategy which are attached as appendices to this report..

Issues

4. Only minor updates are proposed for these documents including those suggested by the Local Pension Board. . Within the Administration Strategy and Complaints Strategy there was minimal changes needed with the main change being to update the County Hall address for the Pensions Team.
5. For the Communications Policy the major change this year was the introduction of electronic communication as our default way of communicating with all active members. Active members can only change this option by writing to opt-out of electronic communications and amendments have been made in the document where relevant to reflect this change. The introduction of electronic communication changed the way that Annual Benefit Statements were sent out this year so the drafting under Annual Benefit Statements has been updated. The text under the paragraph 'WPP' has also been updated to ensure that the information provided is in line with the current position. The information outlining the Local Pension Board arrangements has been added to the Employer information, to match the Scheme Member information and ensure consistency.

6. The updated Communication Policy for the Fund is appended as Appendix 1 with the revised Complaints Policy appended as Appendix 2 and the Administration Strategy as Appendix 3.

Legal Implications

7. Whilst Legal Services have not (due to time constraints) considered the appendices to this report it is understood that this report, in effect, requests that the Committee considers the contents of the attached communication policy, complaints policy and administrative strategy and approves the same.
8. Regulation 61 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers. It further provides that the statement must be revised and published by the administering authority following a material change in their policy in relation to certain matters. As such this report does not raise any direct legal implications however the general legal advice set out below should be considered.

9. 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 Generations (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

Financial Implications

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

Recommendations

11. That the Committee approves the updated
 - a) Communications Policy
 - b) Complaints and Compliments Policy
 - c) Administration Strategy

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

Appendix 1 Communications Policy (February 2024)

Appendix 2 Complaints Policy (February 2024)

Appendix 3 Administration Strategy (February 2024)

Mae'r dudalen hon yn wag yn fwriadol

**CARDIFF COUNCIL
CYNGOR CAERDYDD****PENSIONS COMMITTEE: 5 FEBRUARY 2024****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5**

REVIEW OF PENSION FUND GOVERNANCE COMPLIANCE STATEMENT**Reason for this Report**

1. To complete the review of the Governance Compliance Statement for the Pension Fund.

Background

2. The Fund's Governance Compliance Statement is included in its Annual Report (Appendix 5) and this statement sets out how the Administering Authority has delivered the governance responsibilities of the Fund. This includes an assessment of how the Fund has performed against the nine principles of good governance practice.
3. The revised Governance Compliance Statement appended to this report was considered by the Local Pension Board at its meeting on 29 January 2024.

Issues

4. The Governance Compliance Statement was last considered by the Pension Committee at its meeting on 6 February 2023. No significant changes are proposed for the Governance Compliance Statement with the areas with of Partial Compliance primarily relating to the composition of the Pension Committee and Local Pension Board membership where there are no direct pensioner or deferred member representatives. .
5. A copy of the revised Statement is appended to this Report as Appendix 1. If this Statement is approved by the Pension Committee the revised version would be included in the Fund's 2023/24 Annual Report.

Legal Implications

6. The governance compliance statement appended to this report has been prepared in compliance with regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) (the "LGPS Regulations").
7. The statement sets out how the administering authority discharges its functions in accordance with the LGPS Regulations and this statement must be revised following material changes to its Governance arrangements and as such does not raise any direct legal implications however the general legal advice set out below should be considered.

8. 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

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

Recommendations

10. That the Committee approves the Governance Compliance Statement appended as Appendix 1.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendix 1 Governance Compliance Statement (February 2024)

Mae'r dudalen hon yn wag yn fwriadol

Local Pension Board : 29 January 2024

Item 5 Appendix 1 : Review of Governance Compliance Statement

GOVERNANCE COMPLIANCE STATEMENT

This Statement has been prepared and published by the City of Cardiff Council as Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund, in compliance with regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) (the “LGPS Regulations”).

Delegation of Functions

City of Cardiff Council has established a Pensions Committee to discharge its functions under the LGPS Regulations and has delegated operational management of the Pension Fund to the Corporate Director Resources. The relevant sections in the Council’s Constitution are:

Terms of Reference for Committees:

Pensions Committee

To discharge the functions of the authority as Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund (‘the Fund’) as described in the Local Government Pension Scheme (LGPS) Regulations made under the Superannuation Act 1972 (sections 7,12 or 24) and Section 18(3A) of the Local Government and Housing Act 1989; and

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:-

- a) Determining the Fund’s aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
 - ii) Funding Strategy – approving the Fund’s Funding Strategy Statement including ongoing monitoring and management of the liabilities, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
 - iii) Investment strategy - approving the Fund’s Investment Strategy Statement (previously the Statement of Investment Principles (SIP)) and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund’s specific liability profile and risk appetite;
 - iv) Communications Strategy – approving the Fund’s Communication Strategy;
 - v) Discretions – determining how the various administering authority discretions are operated for the Fund; and
 - vi) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- b) Monitoring the implementation of these policies and strategies as outlined in a) above on an ongoing basis.
- c) Considering the Fund’s financial statements as part of the approval process and agreeing the Fund’s Annual Report. Receive internal and external audit reports on the same.
- d) Receiving ongoing reports from the Corporate Director Resources in relation to the delegated operational functions.
- 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.

- f) To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.
- g) To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- h) Consider any pension compliance matters raised by the Fund's Local Pension Board.
- i) All Members of the Committee will be required to undertake relevant training to enable them to properly discharge their duties.

Local Pension Board

The terms of reference of the Local Pension Board are also included in the Council's Constitution and are as follows :-

To assist Cardiff Council as Scheme Manager and Administering Authority to:

- (i) secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the scheme;
- (ii) secure compliance with any requirements imposed by the Pensions Regulator in relation to the LGPS; and
- (iii) ensure the effective and efficient governance and administration of the scheme (pursuant to sections 5(1) and (2) of the Public Services Pensions Act 2013 and regulation 106(1) of the LGPS Regulations)

Specific Delegations to Statutory Officers: Corporate Director Resources

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In accordance with any policy or strategy decided by the Pensions Committee to approve decisions relating to the operational management of the Cardiff & Vale of Glamorgan Pension Fund ('the Fund') and the administration of pension benefits.

Pension Fund Governance

The administration of the Pension Fund is carried out by the Pensions Section based in County Hall. All significant decisions e.g. the exercise of discretions granted to the administering authority under the LGPS regulations, are made and recorded in accordance with the Council's scheme for delegated decision making. As part of the Council's Resources Directorate, the Section is subject to the Council's policies, procedures and internal controls.

The Pension Committee and Corporate Director Resources are advised on investment matters by an Investment Advisory Panel (the Panel). The role of the Panel is detailed in the Fund's Investment Strategy Statement (ISS) .

The Panel comprises:

- Corporate Director Resources
- Three elected members of City of Cardiff Council
- One elected member of Vale of Glamorgan Council (observer status)
- Two independent advisers

The Panel normally meets quarterly to review the performance of the Fund's investments and to advise on investment strategy. The Panel also considers other aspects of the administration of the LGPS which may have implications for investments e.g. the triennial actuarial valuation. The Panel receives presentations from Investment Managers, primarily Russell Investments and Waystone now that the majority of the Fund's investments are in Wales Pension Partnership (WPP) sub-funds. The performance of WPP Investment Managers is also considered by the WPP Joint Governance Committee (JGC) and the Officer Working Group (OWG).

An Employers' Forum is held annually to which all contributing employers of the Fund are invited. The Forum receives presentations on matters such as changes in regulations, the investment performance of the Fund and actuarial valuations. Previously a separate Trade Union Forum was held annually to consider similar issues to the Employers Forum with trade union representatives but in recent years the opportunity has been taken to merge the two Forums.

Compliance with Statutory Guidance

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
Principle A – Structure			
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	The Committee's Terms of Reference and Officer Delegations are clearly set out in the Council's Constitution	Yes	
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<p>The two main employers are represented on the Investment Advisory Panel (the Panel).</p> <p>Other employers are represented on the Local Pension Board and are invited to attend the annual Employers' Forum</p> <p>Scheme members are not represented on the Committee or Panel but are represented on the Local Pension Board and attend the Employers (Trade Union) Forum.</p> <p>The Joint Governance Committee (JGC) of the Wales Pension Partnership (WPP) now includes a non-voting Scheme Member</p>	Partial	Pension Board (Secondary Committee) has representatives from Employers and Scheme Members but not direct pensioner or deferred members representatives
That where a secondary committee or panel has been established, the structure	Yes Minutes from meetings of	Yes	

ensures effective communication across both levels.	both the Panel and the Local Pension Board are agenda items for the Pension Committee. In addition there is an annual joint meeting of the Pension Committee and Local Pension Board.		
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No – the Committee is a committee of the administering authority.		
Principle B – Representation			
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure.</p> <p>These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) independent professional observers; and iv) expert advisors (on an ad-hoc basis). <p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>The Committee is a committee of the administering authority.</p> <p>The two unitary authorities employ over 85% of active members and are represented on the Panel. Other employers are not represented on the Panel but are represented on the Pension Board</p> <p>Scheme members are not represented on the Committee or Panel but are represented on the Pension Board</p> <p>Two independent advisors attend every Panel meeting</p> <p>All Committee, Panel and Board members have the same access to papers and training opportunities.</p>	<p>Partial</p> <p>Yes</p>	<p>Pension Board (Secondary Committee) has representatives from Employers and Scheme Members but not direct pensioner or deferred members representatives</p>
Principle C - Selection and Role of Lay Members			

That Committee, Board or Panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The functions of the Committee and the Board are set out in the Council's Constitution. The role of the Investment Advisory Panel is clearly set out in the ISS and other key documents	Yes	
Principle D – Voting			
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	Voting Rights for this Fund are largely exercised through the WPP, in line with the other Welsh LGPS Funds. The WPP has appointed Robeco as its voting and engagement advisor and WPP receives updates on voting and engagement activity from Robeco. The WPP undertakes regular reviews of its voting policy.	Partial	As a consequence of the concentration of investments in WPP Funds voting is not exercised via the Fund.
Principle E – Training/Facility Time/Expenses			
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Committee, Board and Panel members are advised of training opportunities.	Yes	
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Yes	Yes	
Principle F - Meetings (frequency/quorum)			
That an administering authority's main committee or committees meet at least quarterly.	The Committee meets at least quarterly.	Yes	
That an administering authority's secondary committee or panel meet at	The Investment Advisory Panel and Pension Board meets quarterly in advance	Yes	

<p>least twice a year and is synchronised with the dates when the main committee sits.</p> <p>That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>of Pension Committee dates. One of the Board meetings is a joint meeting with the Committee</p> <p>Employers' Forum, including Trade Unions, is held annually</p>	Yes	
Principle G - Access			
<p>That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p>Papers are circulated to all Committee, Board and Panel members in advance of meetings.</p> <p>The target is to circulate papers for all three meetings 3 working days in advance of the meeting.</p>	Yes	
Principle H - Scope			
<p>That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangement</p>	<p>The Committee's role is to consider all strategic issues.</p> <p>The Investment Advisory Panel considers all issues relevant to investment matters whilst the Board has a focus on pension administration issues. Wider issues are also discussed at the Employers' Forum.</p>	Yes	
Principle I - Publicity			
<p>That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</p>	<p>All governance documents for the Pension Committee are published on the Council's website.</p> <p>The Fund website includes a number of key governance documents including the Annual Report and the Administration Strategy.</p>	Yes	

Local Pension Board

Further information on the Local Pension Board, including the Board's Terms of Reference for have been published on the Fund's website:

[Pensions Committee and Board - Cardiff and Vale Pension Fund](#)

Wales Pension Partnership (WPP)

Details of the governance arrangements for the WPP can be found on the WPP website

[Wales Pension Fund | Governance \(walespensionpartnership.org\)](#)

CHRISTOPHER LEE

CORPORATE DIRECTOR RESOURCES

January 2024

Mae'r dudalen hon yn wag yn fwriadol

**CARDIFF COUNCIL
CYNGOR CAERDYDD****PENSIONS COMMITTEE : 5 FEBRUARY 2024****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6**

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 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. Waystone (previously 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 Waystone 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 sub-fund was launched in October 2021 followed by the Sustainable Equity sub-fund in July 2023.

Issues

- 6) As at 31 December 2023 the Fund had the following investments in eight listed WPP products, with the aggregate value of £1,770 million (£1,678 million as at 30 September)
- i. UK Opportunities Equity Fund - £255 million
 - ii. Global Government Bond Fund - £237 million
 - iii. Global Credit Fund - £207 million
 - iv. Multi Asset Credit Fund - £152 million
 - v. Global Opportunities Equity Fund - £491 million
 - vi. Global Growth Equity Fund- £185 million
 - vii. Emerging Markets Equity Fund- £111 million
 - viii. Sustainable Equity Fund - £131 million

- 7) The total value of the Fund as at 30 November 2023 was £2,710 million with the listed WPP investments representing approximately 63% of this Fund's total valuation. The 30 November 2023 valuation of the BlackRock Low Carbon Fund was £640 million which if added to the WPP sub-funds would amount to 88% of the total Fund value at this date being pooled.

- 8) Commitments have started to be paid over to the WPP Private Market sub-funds during the last quarter with the following payments made as at the end of November 2023 :-
- i. WPP Private Credit : £19.9 million
 - ii. WPP Private Equity : £6 million
 - iii. WPP / Capital Dynamics Clean Energy : £2.5 million

The first capital call for the Infrastructure sub-fund, to Octopus Energy Generation, will take place at the end of January.

- 9) The procurement for the WPP Property sub-fund commenced towards the end of 2023 and following the PQQ stage the number of bidders taken to the ITT stage for the different sleeves is as follows :-
- a) Core UK : 7 Bidders
 - b) International : 10 Bidders
 - c) Impact UK : 8 Bidders

The above includes 4 bidders who are included in all 3 sleeves and 2 bidders who are in 2 of the 3. The current timeline for the JGC to confirm the preferred bidders for this asset class at its July 2024 meeting remains unchanged.

- 10) Robeco, the WPP Voting and Engagement Advisor, have continued to produce summary reports of their proxy voting activity and their public report for Q4 2023 is attached as Appendix 1.
- 11) A meeting of the WPP JGC took place on 13th December 2023 and the Host Authority have provided a summary of the items discussed at that meeting which is attached as Appendix 2 to this report..

- 12) The provisional valuation of the Fund as at 30 November 2023 is £2,711 million which compares with £2,663 million as at September 2023 and £2,608 million as at 30 November 2022. The table below presents the position for the Fund's Asset classes for November 2023 and 2022 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	Nov-22	Nov-23	% change
	£million	£million	%
Equities			
UK	232	245	5.3%
Global	1,331	1,413	6.2%
Emerging Market	110	108	-2.4%
Total Equities	1,674	1,766	5.5%
Fixed Income	559	577	3.1%
Private Equity	107	111	3.0%
Property	188	177	-5.8%
Private Credit	0	22	
Cash	79	58	-26.5%
Total	2,608	2,711	4.0%

Legal Implications

- 13) 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 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 (Burges 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

- 14) 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

- 15) That the Committee notes the recent developments related to the WPP Investment Pool and the Fund's Investment holdings

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendices

Appendix 1 : Robeco Proxy Voting Highlight Q4 2023 Report

Appendix 2 : WPP JGC 13 December 2023 Summary

Mae'r dudalen hon yn wag yn fwriadol

Proxy Voting Report

Period: October 01, 2023 - December 31, 2023

Votes Cast	1096	Number of meetings	134
For	948	With management	950
Withhold	13	Against management	146
Abstain	0		
Against	118		
Other	17		
Total	1096	Total	1096

In 52 (39%) out of 134 meetings we have cast one or more votes against management recommendation.

General Highlights

Unlocking value: Corporate governance in state-owned enterprises

Working to improve corporate governance at state-owned enterprises

Many people think that corporate governance is an abstract concept and that its impact on our everyday lives is difficult to grasp. Think again. Only a few months ago, in March 2023, financial stability was tested by a crisis attributed to a large extent to poor corporate governance at US private sector banks. And the crucial importance of good governance becomes even more apparent when we look at State-Owned Enterprises (SOEs).

SOEs are amongst the largest corporations in many countries and account for a growing share of the corporate landscape. The OECD reports a staggering statistic – the ratio of SOEs in the list of top 500 global companies has tripled over the last two decades. The public sector held almost 11% of the listed companies' global market capitalization at the end of 2022. On top of that, in many countries, SOEs are the sole or main providers of essential services such as water or electricity.

Given their size and positioning in high-impact sectors, SOEs play a significant role in achieving the Sustainable Development Goals (SDGs). The consequences of poor corporate governance in SOEs will therefore extend far beyond the boardroom. The figures speak for themselves – the International Monetary Fund highlighted in a 2020 publication that the maximum annual support provided by governments to financial and nonfinancial SOEs reached 18% and 16% of GDP, respectively, with the debt of SOEs exceeding 20% in some countries.

Far from a simple matter

Good governance in SOEs is, however, far from being a simple matter. If an SOE is run well and sufficient checks and balance are in place, state control can provide stability. If not, political involvement may also have downsides. State ownership adds to the known corporate governance challenges faced by listed firms for a number of reasons. For one, as noted by the OECD, “the accountability for an SOE’s performance is often dispersed across the public administration and among different state bodies with inherently different policy interests”. Secondly, SOEs have the hard task of walking a fine line when balancing different – and sometimes conflicting – objectives.

Listed SOEs have the advantage of being subject to the much stricter requirements applicable to publicly listed firms, as well as monitoring from external investors. However, minority shareholders often have limited rights and therefore little power to hold management to account. Governance challenges are very present – and some argue, even exacerbated – in these firms. Recent scandals stand testament to this. Telecoms giant Telia, which is partly-owned by the Swedish state, agreed to pay nearly USD 1 billion in 2017 to settle allegations that it paid major bribes in Uzbekistan in a case labeled as “one of the largest criminal corporate bribery and corruption resolutions ever” at the time.

Brazilian oil giant Petrobras was embroiled in the major ‘lava jato’ (car wash) scandal that triggered an SOE reform in the country. While Petrobras rolled out significant corporate governance improvements following the scandal, the company has recently come under intense scrutiny over proposed bylaw changes that are perceived to increase the risk of undue government interference.

OECD guidelines can help

The growing awareness of the importance of SOEs to our economies and the

governance challenges that they face have prompted many countries around the world to roll out reforms. These initiatives point out the fact that there is no one-size-fits-all recipe for reform. Nonetheless, the OECD Guidelines on Corporate Governance of State-Owned Enterprises, which are currently undergoing a review expected to be completed in 2024, are widely regarded as the golden standard for SOE reform.

The guidelines provide a multitude of tailored recommendations for SOEs, from encouraging governments to evaluate and disclose the policy rationale that motivates state ownership, to clearly identifying which part of the public administration is responsible for exercising the state ownership function. That said, the guidelines also say that:

“The state should strive toward full implementation of the OECD Principles of Corporate Governance when it is not the sole owner of SOEs, and of all relevant sections when it is the sole owner of SOEs.”

Concerning shareholder protection this includes:

1. The state and SOEs should ensure that all shareholders are treated equally;
2. SOEs should observe a high degree of transparency, including as a general rule, equal and simultaneous disclosure of information towards all shareholders;
3. SOEs should develop an active policy of communication and consultation with all shareholders;
4. The participation of minority shareholders in shareholder meetings should be facilitated so they can take part in fundamental corporate decisions such as board elections;
5. Transactions between the state and SOEs, and between SOEs themselves, should take place on market-consistent terms.

As an investor, we use our voting rights to push for these companies to adopt good governance and sustainable corporate practices. Our votes are guided by a robust policy which sets out our approach to a wide variety of issues ranging from director elections and remuneration to capital management and shareholder rights.

We expect SOEs to have proper safeguards in place, such as the establishment of committees comprising independent members to oversee conflicts of interest, super-majorities or ‘majority of minority’ voting provisions, and a transparent process for board nominations. If we see that insufficient safeguards are in place, we will hold companies accountable. For example, we vote against article amendments that would lead to a negative impact on minority shareholder rights or to a deterioration in the process for director nominations. Similarly, we vote against related party transactions that are not subject to an adequate oversight process that ensures minority shareholder rights are protected. Where we conclude that a company has not ensured adequate minority shareholder protections, we will consider escalation via a vote against the most accountable board member or via engagement. Because poor corporate governance does make a difference – even in our day-to-day lives.

Market Highlights

New remuneration requirements for Australian financial institutions

In August 2021, the Australian Prudential Regulation Authority (APRA) released its final iteration of the Prudential Standard CPS 511 Remuneration (the Standard), which came into effect on January 1 2023. The Standard aims to ensure that APRA-regulated entities, such as banking, insurance, and superannuation funds/schemes, maintain appropriate remuneration incentives. The new regulation represents an important milestone in APRA's objective of improving industry practices in governance, risk culture, remuneration, and accountability.

CPS 511 was also intended to address the findings of the final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Commission), which was initiated following a series of scandals involving several Australian financial institutions. One of the conclusions from the report was that "remuneration incentives which overemphasize short-term financial performance can drive poor customer and beneficiary outcomes and jeopardize financial soundness". The Standard addresses these findings through the implementation of three main elements, including increased oversight, balanced incentives, and appropriate consequences. Below, we highlight some of the most relevant requirements that have been introduced.

Increased oversight

CPS 511 sets out principles governing the role of the Board in overseeing an entity's remuneration incentives. More specifically, the Standard states that the Board is responsible for the remuneration framework and its effective application, consistent with the size, business mix and complexity of the entity. It also requires the establishment of a separate remuneration committee, composed solely of non-executive directors and tasked with the design, operation, and monitoring of the remuneration framework. The Board must regularly review and report on the compliance of its remuneration practices against the Standard, at least once a year.

Balanced incentives

CPS 511 requires APRA-regulated entities to maintain a remuneration framework that promotes the effective management of financial and non-financial risks. As such, the Standard requires that each component of a person's variable remuneration assigns "material weight" to non-financial measures. This is meant to replace the previously-implemented 50% cap on the use of financial performance measures, and represents the biggest change from current practices. Furthermore, entities are expected to incorporate appropriate compensation outcome adjustment tools with clearly identified triggers and the potential to reduce variable compensation to nil, depending on the severity of risk and conduct outcomes.

Appropriate consequences

The Standard states that compensation levels must be aligned with performance and risk outcomes. To achieve this, entities must incorporate clawback and malus provisions in their remuneration arrangements, and CPS 511 sets out five minimum criteria for the application of variable remuneration adjustment tools, including misconduct and significant adverse outcomes for stakeholders, among others. In addition, the Standard sets out deferral requirements for key management personnel (KMPs), to ensure that short-term rewards will not be earned at the cost of long-term outcomes. For CEOs, a minimum of 60% of the total variable remuneration must be deferred over at least six years, while for the remaining KMPs, a minimum of 40% of the total variable remuneration must be deferred over at least five years. For both groups, vesting can only start after four years.

We view the principles outlined above positively, and we believe that they are well aligned with international best practices. Additionally, several requirements go beyond current global standards, such as those surrounding variable compensation deferral and remuneration outcome adjustment provisions. Nevertheless, we also note that the “material weight” requirement for non-financial metrics can be ambiguous, as no guidance is provided on how to determine an appropriate threshold. We will monitor the implementation of this principle by corporates, to determine whether it sufficiently incentivizes the consideration of non-financial measures in performance-based compensation outcomes. We expect companies to implement material ESG metrics in their remuneration programs, and these metrics should be aligned with the company’s strategic objectives, have clear targets and disclosures, and amount to a minimum weight of 10% of the relevant variable compensation plan.

During 2023, in response to the implementation of CPS 511, we saw Australian financial institutions improve their executive remuneration programs by, for example, increasing vesting periods and rebalancing the remuneration mix of executives through placing a higher emphasis on long-term incentives. However, in previous years, we already voted in favor of a high proportion of remuneration proposals at the shareholder meetings of these companies, as we determined that most of them had sound and appropriate compensation arrangements in place. Nevertheless, we welcome the improvements introduced by CPS 511, and we expect Australian financial institutions to continue putting together high-quality remuneration plans, which protect the best interests of companies’ stakeholders.

Voting Highlights

Procter & Gamble Co. - 10/10/2023 - United States

Proposals: Shareholder Proposal Regarding Civil Rights Audit, Shareholder Proposal Regarding Report on Business with China & Shareholder Proposal Regarding Shareholder Approval of Advance Notice Provisions.

The Procter & Gamble Company provides branded consumer packaged goods worldwide. It operates through five segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care.

The 2023 Annual General Meeting (AGM) of Procter & Gamble included several pertinent shareholder proposals. The first one requested the company to commission an audit to assess the impact of its policies on non-BIPOC and non-Latinx/a/o/e communities. In this case, the proponent mentioned in their supporting statement that the company appears to privilege select groups it considers diverse. After analyzing the merit of the proposal, we determined that the company provides significant disclosure on its community efforts to promote racial and gender equity, as well as on its workforce demographics, commitments, and internal initiatives to promote equity and diversity inside the Company. As a result, we believe that the proponent's objective was to hinder the company's ESG efforts, and therefore we did not support the proposal.

Another proposal, filed by the same proponent, requested that the Company report on the extent to which corporate operations involve or depend on China. While we recognize the inherent risks surrounding the company's operations in China, we decided to not support the proposal for two main reasons. Firstly, because of the language used in the text of the resolution, which we deemed inappropriate and excessively hostile. Secondly, and more importantly, because we determined that the existing disclosures provided by the company on the potential political risks and adverse human rights impacts were satisfactory.

A final shareholder resolution requested that the company require shareholder approval of advance notice provisions. After the SEC adopted rules requiring the use of universal proxy cards in contested director elections, many companies updated their bylaws to ensure compliance with the new rules. However, some companies adopted additional advance notice requirements for nominating shareholders that we consider egregious, such as notice requirements of 120 days before the AGM. The objective of the shareholder proposal is to prevent the company from adopting such requirements without shareholder approval. As we believe shareholders should approve provisions that could potentially limit their rights, we supported the resolution. None of the three shareholder resolutions were adopted during the AGM.

BHP Group Limited - 11/01/2023 - Australia

Proposals: Remuneration Report & Equity Grant to CEO.

BHP Group Limited operates as a resources company in Australia and internationally. The company operates through Copper, Iron Ore, and Coal segments.

At BHP's 2023 AGM, shareholders voted on routine management proposals, including the election of directors, remuneration-related proposals, and the renewal of potential termination benefits. Amidst these proposals, the remuneration report and the associated equity grant to the company's CEO were of particular relevance.

While analyzing the company's remuneration report, we identified concerns regarding their treatment of unvested equity awards in case a change in control

occurs. The company's current remuneration program grants executives two types of equity awards, which include deferred shares awarded through their Short-Term Incentive (STI) plan, and performance shares awarded through their Long-Term Incentive (LTI) plan. This is a practice that is common in the Australian market, and we are supportive of it, as we believe that it promotes long-term decision-making by executives. Nevertheless, the two types of equity awards are subject to different change in control (CIC) provisions, which determine the conditions and proportions in which unvested equity awards will vest (or not) whenever a change in ownership of the company takes place. The CIC provisions applicable to the vesting of equity awards from the LTI plan are close to best practice, as they will either be pro-rated based on performance outcomes measured at the time of vesting, or they will be forfeited in case an acceptable alternative equity program is provided. On the other hand, the CIC provisions applicable to the STI equity awards grant the Board of Directors full discretion to determine vesting outcomes. This raises concerns, as there is no indication of the conditions or proportions in which these awards will vest. We consider this a critical matter, because inappropriate CIC provisions can become harmful incentives for executives to pursue change in control transactions that are not in the best interests of shareholders. Furthermore, the proportion of equity awards made under the STI plan represented a significant portion (ca. 28%) of the CEO's total compensation for FY2023, which aggravated our concerns.

Given these issues, and despite observing that the company's executive compensation plan featured good structural elements and disclosures, we decided to vote Against the approval of the remuneration report and the equity grant proposal for the CEO.

Cardinal Health, Inc. - 11/15/2023 - United States

Proposals: Shareholder Proposal Regarding Retention of Shares & Shareholder Proposal Regarding Severance Approval Policy.

Cardinal Health, Inc. operates as a healthcare services and products company in the United States, Canada, Europe, Asia, and internationally.

On the 15th of November shareholders gathered for the Annual General Meeting (AGM) of Cardinal Health. The agenda consisted of standard items and two shareholder proposals that focused on the remuneration practices of the company.

The first shareholder proposal requested that the Company adopt a policy requiring executives to retain 33% of stock acquired through equity pay programs until retirement. While we strongly acknowledge the need for aligning the incentives of executives with those of shareholders, we believe this is a task more appropriately exercised by the board, than shareholders. Besides that, the company already has certain elements in place that create alignment, such as the share ownership guideline of six times base salary for the CEO. Moreover, we believe that severely restricting executives' ability to exercise such a significant portion of equity awards until retirement may hinder the ability of the compensation committee to attract and retain executive talent. As a result, we did not support this shareholder proposal.

We voted For a second shareholder proposal asking the company to institute a policy to seek shareholder approval of any senior severance packages that exceed a value of 2.99 times the employee's base salary and target annual bonus opportunity. Though the company had put in place a policy limiting cash severance payments to this level, it did not set a strict cap on severance payments in the form of equity.

Oracle Corp. - 11/15/2023 - United States

Proposals: Election of Directors & Advisory Vote on Executive Compensation.

Oracle Corporation offers products and services that address enterprise information technology environments worldwide.

As in previous years, Oracle's 2023 AGM elicited anticipation from shareholders, particularly surrounding their Say on Pay proposal. The company's remuneration practices have been subject to significant scrutiny in recent years, and the company has faced high dissent from shareholders at their general meetings. Last year, not only did the executive compensation proposal receive approximately 33% of votes Against, but the proposals on the re-election of the remuneration committee members were also met with approximately 27% to 30% of votes Against.

This year, we saw a small improvement, as the company expanded their clawback policy to cover equity awards and cases where certain employees are found to have engaged in, or have been aware of or willfully blind to, significant misconduct. Nevertheless, Oracle's remuneration practices continue to raise significant concerns, and we voted Against the Say on Pay proposal again. More specifically, we continue to hold concerns regarding the fully discretionary nature of the Long-Term Incentive (LTI) awards for certain executives, the poor alignment between pay and performance, and the continued impact of the modification of the performance-based stock option (PSO) awards for the company's CEO and CTO, which were valued at over USD 138 million for both executives in 2022. Finally, despite the small improvement that was noted earlier, we believe that the company continues to fail to sufficiently address the sustained high levels of shareholder dissent in an appropriate manner.

In light of the above, we once again escalated our concerns by voting Against the re-election of all remuneration committee members, who this year received between 20% and 24% of votes Against from shareholders. The executive remuneration proposal saw approximately 27% of votes cast Against.

Cisco Systems, Inc. - 12/06/2023 - United States

Proposals: Advisory Vote on Executive Compensation & Shareholder Proposal Regarding Tax Transparency.

Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol based networking and other products related to the communications and information technology industry in the Americas, Europe, the Middle East, Africa, the Asia Pacific, Japan, and China.

The 2023 Annual General Meeting of Cisco Systems had a similar agenda to the company's 2022 AGM. Besides standard management proposals on board elections, ratification of the auditor and remuneration, there was a repeat of a shareholder proposal requesting the company to publish a tax transparency report in line with the Global Reporting Initiative's (GRI) Tax Standard.

We recognize the disclosures on this matter that the company already provided. However, as the issue of tax avoidance can be highly controversial and is receiving increasing attention from authorities and the wider public, we believe it is the company's responsibility to provide shareholders with complete, correct, and comprehensive information regarding its tax practices. Especially after the scrutiny on the global tax basis of the company. Moreover, given recent legislation in Europe, the company will be required to disclose most of the information requested by the proposal, meaning its demands do not represent a significant additional burden to the company. For these reasons, and in line with our vote last year, we supported the shareholder proposal.

Our second and final vote Against management recommendations regarded the advisory vote on executive compensation. Besides concerns regarding overall quantum and the short performance period under the long-term incentive plan, the remuneration report for 2022 evidenced significant one-off awards. We are generally wary of awards granted outside of the standard incentive schemes, as such awards have the potential to undermine the integrity of a company's regular

incentive plans, the link between pay and performance or both. As a result, we voted Against the company's executive compensation report.

Microsoft Corporation - 12/07/2023 - United States

Proposals: Election of Directors, Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Report on Tax Transparency, Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern & Shareholder Proposal Regarding Report on AI Misinformation and Disinformation.

Microsoft Corporation develops and supports software, services, devices and solutions worldwide.

Microsoft's 2023 AGM agenda featured a number of routine resolutions for US firm ballots and several pertinent shareholder proposals.

Similarly to past years, we did not support the Say-on-Pay proposal due to concerns regarding the significant height of the remuneration awarded to the CEO. We expect compensation programs with substantial remuneration outcomes to closely follow best practices, and in the case of Microsoft, we determined that the plan was well formulated though lacked enough mitigating components to earn a vote in favor. More specifically, we identified concerns regarding the short performance measurement periods of one year under the Long-Term Incentive (LTI) plan, the limited downside for underperformance due to the relative TSR modifier under the LTI, and the absence of targets and clear disclosures surrounding the implementation and evaluation of the Operational Assessment metrics under the STI. Additionally, we voted Against the re-election of the chair of the remuneration committee, as we deem them most responsible for our persistent concerns surrounding the company's compensation practices over the past three years.

Apart from the management proposal on executive compensation, three shareholder proposals were of particular relevance. The first proposal requested Microsoft to publish a tax transparency report in line with the GRI Tax Standard. We supported this proposal, as we deem it increasingly important for companies to establish a robust approach to taxation that aligns tax treatments with the respective underlying economic activities. We also expect companies to report transparently on their approach to tax across all jurisdictions where they operate. Given Microsoft's ongoing dispute with the IRS over taxation issues, this shareholder proposal is particularly pertinent, and this was reflected in the high shareholder support rate of 21%.

The other two shareholder proposals requested the company to report on data operations in human rights hotspots and on the risks of facilitating AI misinformation and disinformation. We consider the issues addressed by these proposals to be of significant relevance to Microsoft, and we determined that the information requested by these proposals would allow shareholders to gain additional insights into these material risks. Therefore, we supported both proposals, which ultimately received considerable wider support with 34% and 21% of votes For, respectively.

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Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 13 December 2023

Location: Virtual meeting

Chair: Cllr Ted Palmer, Clwyd

Vice Chair: Cllr Elwyn Williams, Dyfed

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>Operator contract - the Invitation to Tender was issued on 16 October 2023 and closed on 20 November 2023. The WPP are currently evaluating the submissions received.</p> <p>The procurement exercise for the Real Estate managers is also underway with the Pre-qualification Questionnaire issued on 17 November 2023. The recommendation report is due to go to the July 2024 JGC for approval, with the contract being awarded in August 2024.</p> <p>Anthony also presented the 2023/24 Business Plan update as at 30 September 2023 (attached).</p>
Risk Register Q4 2023 Review	<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 Q4 2023, a review has taken place of the Investment Risks.</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:</p> <ul style="list-style-type: none"> • Training Policy • Rebalancing & Alteration Policy 	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken a review of the Training Policy and Rebalancing & Alteration Policy.</p> <p>The Training Policy outlines WPP's approach to training and requirements. Following this review, the policy has been updated to reflect the method that training needs are identified.</p> <p>The Rebalancing and Alteration policy sets out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlines the framework that has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate. During this review, the policy has been updated to take account of the Private Market mandates.</p> <p>The updated policies were approved and have been uploaded on the WPP website.</p> <p>There were no new policies this quarter.</p>
<p>Operator Update</p>	<p>The sale of Link Fund Solutions to Waystone Management (UK) Limited (Waystone) completed on 9th October 2023. Waystone presented their quarterly update report as at 30 September 2023 (attached). This report provides market updates, details of WPP's current sub fund holdings, as well as a corporate and engagement update.</p>
<p>Performance Reports as at 30 September 2023</p>	<p>Russell Investments presented a Q3 2023 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 September 2023.</p>
<p>Exempt Items – the following items were discussed during the non-public part of the meeting.</p>	
<p>Securities Lending Report as at 30 September 2023</p>	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q3 2023 (quarter ending 30 September 2023).</p>

Robeco Engagement Report – Q3 2023	In March 2020, Robeco was appointed as WPP’s Voting & 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 3 2023 (quarter ending 30 September 2023). The engagement theme chosen for this quarter was Net Zero Carbon Emissions.
Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for WPP’s sub funds.</p> <p>For Quarter 3 2023 (quarter ending 30 September 2023), the Emerging Markets and UK Opportunities reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>
All-Wales Climate Report	<p>Hymans Robertson have drafted an all-Wales climate report which provides an assessment of climate risks across the pool, including recommendations to be considered. This report was presented to the JGC.</p> <p>A public facing version of the report will be issued in the new year.</p>

Webcast link for the 13 December 2023 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 13th December, 2023, 10.00 am](#)

WPP’s website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](http://walespensionpartnership.org)

Next meeting:

- Wednesday 13 March 2024 – Hybrid meeting, hosted by Powys

Mae'r dudalen hon yn wag yn fwriadol

**PENSIONS COMMITTEE: 5 FEBRUARY 2024****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM : 7**

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 29 January 2024. A small number of minor updates were proposed to the Register presented to the Board at that meeting and these are listed below :-
 - P2 : updated to commencement of procurement for WPP Property sub-fund(s).
 - P20 : Proposed Improvement Actions re-drafted to update on the current activity.
 - P21 : Updated to reflect two Net Zero workshops have been undertaken with a third, via Teams, on 20th February and next steps in signing-off the Net Zero Strategy.
4. Following a discussion of the Risk Register at the 29 January Pension Board 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, whilst Legal Services have not considered the appendices to this report it is understood that 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 Generations (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 January 2024
Appendix 2 Risk Matrix

Mae'r dudalen hon yn wag yn fwriadol

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						
Pensions												
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	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. The Investment Panel considers whether any changes are required to strategic asset allocation. The investment strategy is summarised in the Investment Strategy Statement 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	C	2	Medium - Red / Amber	Continuing engagement with Fund actuaries to understand impact of financial and demographic factors on the Fund's liabilities. 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 Focus will now move to monitoring and working towards the 2025 valuation	31-Mar-24 Ongoing Ongoing	Marc Falconer	
P2	Inadequate medium term performance from selecting inappropriate fund managers or asset allocation Tudalen 45	B	2	High - Red	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. 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. The Investment Panel advise target ranges for strategic asset allocations. 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.	C	2	Medium - Red / Amber	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 Minimal impact on Fund following Autumn fall in UK Govt. Gilt prices. 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. WPP Private Credit, Infrastructure & Private Equity on-boarding now completed. WPP Sustainable Equity Fund launched July 2023 WPP Property Procurement has now commenced	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	The Fund attempts to ensure best value in the following ways: • Regular Reports to the Investment Panel on asset valuation and manager performance. • Use of specialist services considered to reduce costs where appropriate (e.g. for transitions and currency transfers). • Custodian arrangements are reviewed or re-tendered when appropriate.	C	3	Medium - Amber / Green	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. 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. Fund Investments to be further diversified by forthcoming investments into the new WPP Private Credit, (open-ended) Infrastructure and Private Equity sub-funds. The WPP Sustainable Active Global Equity Fund was launched in July 2023 with a different Investment Manager line up to the two existing WPP Global	Ongoing	Marc Falconer	
P4	Collapse of an Investment Manager involving our portfolio	C	1	Medium - Red / Amber	• All listed Assets are now managed by WPP so the Fund, will consider the due diligence activity undertaken by Waystone (Link) and Russell on behalf of WPP. • All Listed assets are managed through the Fund's custodian to ensure they remain segregated from the manager. • 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.	C	2	Medium - Red / Amber	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 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. Implications of change of ownership of Link Group and Woodford related investigation of Link by FCA to be kept under review Sale of Link Fund Solutions to Waystone Group was completed in October 2023, to date it has been a case of BAU with no change in the key staff delivering the Operator service to the WPP	Ongoing	Marc Falconer	

P5	MIFID II leads to restrictions on the investment products available to the Fund	B	2	High - Red	<p>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.</p> <p>Training was the subject of report to Pension Committee in Feb 2023 with a renewed attention following confirmation of the new Pension Committee Members following the May 2022 elections.</p> <p>Quarterly training provided by WPP is now well integrated into training resources available.</p>	C	3	Medium - Amber / Green	<p>Training focus will be across the board with consideration on provision of training to Officers, Committee and board members as appropriate.</p> <p>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	<p>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.</p>	C	4	Low - Green	<p>Regular meetings during the financial year between Accountancy and Pensions staff to ensure any issues are identified and resolved before year end.</p>	Ongoing	Marc Falconer	
P8	Failure to adhere to LGPS Regulations	B	2	High - Red	<ul style="list-style-type: none"> Investment regulations are considered when setting the ISS Senior Technical Officer undertakes Altair system checks to ensure compliance with LGPS regulations Team leaders/supervisors, ensure legislative accuracy of calculations Network Groups (Altair/Communications/All Wales Pensions Officer Group) Comms & Training Officer – responsible for the update of website and online guides. Inform employers of any changes in regulations. 	C	2	Medium - Red / Amber	<p>Engagement with Local Pension Board to develop reporting processes</p>	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	
P9	Failure to communicate with stakeholders	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Contact list for employers updated regularly Annual Employers' Forum held in person (Dec 2022) Trade Union Forum incorporated into Employers Forum Annual report and accounts Member newsletters Dedicated Communication and Training Officer post established Look to use all available communication channels Completed roll-out of member self service facilities for Active Members for Employers using Iconnect. 	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"> Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. Actuarial valuation aims to balance recovery period with risk of withdrawal Applications for admission to the Fund are considered carefully and guarantees put in place if required 	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"> Monthly Pensions are paid by the Council's Pay Centre Payroll deadline procedures in place Authorisation of benefits following calculations Additional checks by Payroll Review of all payroll amendments Ensure all new monthly pension starter listings match amounts on Altair Run monthly SPA reports When someone hits SPA, update Altair and Payroll with GMP details 	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> Review configuration of systems Recommend purchasing Altair Payroll to replace SAP After a recent Internal Pension Fund Audit, it was recommended that Altair Payroll replace SAP. However this will be a medium term objective as it can't be addressed in the short term due to ongoing resourcing issues and other ongoing priorities. 	Ongoing	Karen O'Donoghue-Harris	

Tudalen 46

Tudien 47

P12	Pensions continue to be paid to deceased pensioners	B	2	High - Red	<ul style="list-style-type: none"> Monthly ATMOS reviews and Tell Us Once data exchanges match pensioner details with national deaths register Pensioners incorporated into National Fraud Initiative Annual life certificates required from pensioners living overseas Tell Us Once database is being updated monthly via the LGPS NI database. Further targeted checks with credit reference agencies as appropriate 	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"> Senior Officers liaise closely with employers to ensure timely and accurate submission of data I-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis Data accuracy checks undertaken by the pension section Data validation checks also undertaken by the Fund Actuary at the triennial valuation. 	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"> Regular update meetings with JLT Prompt resolution of cases referred back to Fund Fund decision made on stalemate cases Agreed Action Plan in place Critical task and timelines agreed Target end date 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> closely monitor the key tasks that need to be completed As any GMP adjustments are implemented, ensure there is a reconciliation between Altair and SAP. 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. 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 In April 2023 Mercer changed the Benefit Specification for the way data was to be provided. This caused further delays as the Fund were unable to capture the required data. We commissioned Heywood (our software provider) to liaise with Mercer and draw up a report to capture all the data required. Fund data was sent to Mercer on 12 June 23 and final rectification data is due back 29 February 2024. This will be followed by a communication process to those members whose benefits have been affected. 	31-Jul-24	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"> For 22/23 Statements MSS to be used to enhance the service provided to Scheme members. MSS to be used for Active Members to upload statements ensuring higher compliance levels. Whilst a copy of all statements were uploaded to MSS, 6,366 members out of 17095 received an online copy only. These numbers will increase next year and only those members who have opted out of ecomms will receive a paper copy, resulting in significant savings on postage and printing 	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	
P18	Exit Payment Cap	C	3	Medium - Amber / Green	Warning still kept on costs estimates for Employers that these are provided under existing regulations and could be subject to change	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"> • Employers warned at Employer forum that they will be required to supply missing data • A0N commissioned to run reports to identify affected members • LGA templates used to upload missing data • Templates issued to all employers • Deadline set for return of data 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> • Use third party to assist with project management with external advice provision now included in Business Plan. • New staffing structure approval and recruitment process underway • Good progress with uploading data, all small employers completed now working on Cardiff Council with 75% of data verified and uploaded . . Regs came into force on 01 Oct. 23 with retirements and deaths on or after 01 Oct 23 being prioritised , in accordance with guidance from DLUHC. 	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	2	High - Red	<ul style="list-style-type: none"> • 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. • Use of external resources to provide additional short term capacity 	B	2	High - Red	<ul style="list-style-type: none"> • Approval of a new structure agreed by Pension Committee over two years ago. • During this period, there have been several unsuccessful attempts to recruit, leading to a high vacancy rate. • Continual monitoring of Pension section workload and updates to resource planning including business plan and budgets. • Senior Management are actively considering other options that may help with recruitment and retention of staff. • Engaged with Aon for a target piece of work to review structure and resource level. This work has been completed and as a result of this engagement, we are now working closely with HR to firm up on restructure proposals which will include additional staff. It is also planned to review all existing grades and complete job evaluation of all posts to ensure the pay grades reflect the complexity of the roles. 	Ongoing	Karen O'Donoghue-Harris	
P21	Tudalen 48 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"> - continued evolution of WPP sub-funds that allows climate risk and other ESG factors to be managed e.g. proposals to introduce a de-carbonisation overlay to UK Opportunities Fund were implemented from June 2022. - WPP Sustainable equity sub-fund was launched in July 2023 - Continued engagement and challenge to Investment Managers, especially via WPP (Robeco), on how they manage climate and ESG risks - reporting of suitable climate change and ESG metrics, still waiting for TCFD regulations from DLUHC (as at January 24) - continued training focus including with the WPP Voting and Engagement provider - WPP re-application for the FRC Stewardship code to be submitted at end of Oct 23 following successful applications in 2021 & 2022. - Following the approval of the Pension Committee Hyman Robertson have been appointed to lead the work to assist the Fund with setting its net zero target with two workshops held on 30 Oct and 5 Dec 2023 and a Teams Workshop scheduled for 20 Feb 2024. Following this workshop the next steps will be to take the Fund's Net Zero Strategy to the various governance meetings culminating in targetting final sign-off of the strategy at Pension Committee on 15 May 2024. 	Ongoing	Marc Falconer	

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 i
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

improvements with continued proactive monitoring.



CARDIFF & VALE OF GLAMORGAN PENSION FUND

LOCAL PENSION BOARD

7 NOVEMBER 2023, 2.00PM

REMOTE - TEAMS

Present: Mr Michael Prior (Independent Chair)

Employers Representatives:

Laithe Bonni (Vale of Glamorgan)

David Llewellyn (Cardiff Met)

Mark Sims (Barry Town Council)

Scheme Member Representatives:

Ms H Williams (Unison Nominee)

Mr Peter King (Unison Nominee)

Ms Georgia Chedzey (GMB 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, Principal Pensions Officer

Andrea Redmond, Democratic Services Officer

1: Apologies and Declarations of Interest

There were no apologies or declarations of interest received.

2: Minutes of previous meeting and Matters arising

The Minutes of the previous meeting held on 18 April 2023 were agreed as a correct record.

Matters arising: None.

3: Administration Update

This report was to update the Board concerning the 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.

LPB Members were informed that a total of 6,741 measured “tasks” were completed during July to September 2023, compared to 5,096 in the same period for July to September 2022. A month-by-month comparison of the completed tasks for 2018-19, 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 were summarised in a chart in the report detailing ‘The Number of Completed Tasks by Year’.

Referring to the chart, the Chairperson suggested perhaps limiting the number of tasks to the last 5 years and looking at more recent comparisons (perhaps the last 2 or 3 years) in order to enable the trends to be more easily followed. A discussion took place in which members felt it would be useful to retain a pre-Covid figure to compare as a baseline but were in favour of reducing the years. Officers responded that a pre-coded benchmark could be retained so as not to lose track of what was previously done prior to Covid. A graph could be produced with the current year plus 2 and the Appendix could contain the previous years and the graph of pre-Covid figures as a benchmark.

The Chairperson asked for clarification on why there had been more tasks carried out in previous years and whether this was due to a honing down of the number of tasks due to members’ self-service or some other issue. Officers advised that this was due to backlogs and resourcing issues being experienced.

The Chairperson asked about the size of the Pensions team currently. Officers advised that there were currently 17 permanent members of staff with 8 permanent vacancies (3 grade 3, 3 grade 5 and 2 grade 6). Interviews for the Grade 3 posts were taking place on 16 and 17 November 2023. The Grade 6 posts would be advertised on either 7 or 8 November. It was necessary to appoint the Grade 6 posts prior to the Grade 5s as there would be internal people applying for the Grade 6s.

PK requested that the wording in the top of paragraph 5 on staffing be amended to read ‘8 permanent position vacancies’ for the avoidance of any doubt. Officers confirmed that they were full time posts that were available and needed to be filled.

LPB Members were advised that the Senior Management Team had engaged with AON for a targeted piece of work to review the current structure, pay and resourcing levels of the Pensions Team. A meeting was scheduled with AON for early

November where detailed discussions would take place on the proposals put forward. Officers would report back to the Pension Committee after this meeting had taken place and once agreed could take forward and report back to the Board when there were firmer details on what the proposals were.

Officers referred to the fact that GMP reconciliation was still ongoing. In the last meeting it was reported that Mercer had changed the Benefit Specification and the way they wanted Pensions to provide data. LPB Members were informed that the Pension Team was working closely with their software provider who had developed a report to enable them to provide the data in the correct format. The data was provided to Mercer on 12th June 2023. In September an update had been received from Mercer to say they were progressing well, and the Initial Analysis stage was near completion. There were a number of questions that needed answering and officers were currently waiting to receive any queries and exceptions.

An updated Project Plan had been received with a date of 29 February 2024 for the final data to be issued. This had slipped back from the 31st December 2023 which was the first date provided. A communication exercise would follow for those members whose records had been affected.

Officers noted that any overpayments would not be covered and any underpayments would have arrears added to them and interest paid on those payments.

Officers stated that as the date was so close to the pension increase run in April it would undoubtedly be necessary to go through the annual pension increase before records were updated. As long as Mercer provided the Pension team with the information by the end of February officers would be actively actioning the information during the next financial year.

The Chairperson noted that the subject had been on Cardiff's and the National agenda for a considerable number of years and that it was good news that it was being resolved and asked what the position was with other local authorities in Wales. Officers responded that Swansea was in the same position as they also employed Mercer, some authorities had completed such as Carmarthen who did it in house, others outsourced and some had not completed like Cardiff.

Officers provided LPB Members with an update on McCloud – the Regulations coming into force with effect from 1 October 2023. Officers advised that administering Authorities now needed to consider a range of McCloud-affected cases and to encourage a broadly consistent approach, DLUHC had issued statutory guidance for administering authorities on how they should prioritise work. It was noted that the Authority was prioritising and following statutory guidance but things were taking longer than expected with problems such as more difficult cases where the hours went back many years and those working term time, manual checks having to be made and 17,500 records to go through. However, compared to many Welsh employers the Authority was in a good position regarding the upload of data which was currently at 75%.

The Chairperson referred to the report and dealing with priority cases as Group 1 and asked how many groups there were in addition to the initial group. Officers

responded that the Group 1s were the leavers and after that all the re-calculations had to be re-visited. The priority was the current leavers going forwards so that it would not be necessary to go back and revisit them. The software was not in a position to carry out the re-calculations. Members were advised that Group 2 would be the recalculations of employees who left prior to 1 October 2023.

Officers advised that under the disclosure regulations the Authority had to inform members about McCloud by the 1 January 2024. An All Wales Communication Group had been convened for the week commencing the 13 November 2023 to discuss how members would be communicated with but it would probably be in the form of a newsletter.

PK asked officers if the pension regulator was aware of the issues with implementing McCloud. Officers responded that the LGA had highlighted the issues with McCloud, the work involved and also with the Pensions Dashboard. The Chairperson added that all public sector schemes were affected by McCloud and the Scheme Advisory Board was in touch with the TPR.

LPB Members were advised that the Department for Work and Pensions (DWP) had laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timetable would be set out in guidance and all schemes in scope would need to connect by 31 October 2026. The staging timetable would indicate when schemes were scheduled to connect, based on their size and type. LGPS was scheduled for October 2025.

The Chairperson commented that it would be useful for the Board to see what members will view when they go on the dashboard. He asked if it would be possible to convene a joint meeting to receive a presentation on what was required to comply with the regulations and what members would see on the dashboard. Officers agreed to this and clarified that there had been a screen shot of the screen which would show members what they would see to give the value of their benefits. There had been some issues around displaying AVC data and whether to load it directly or members accessing the information through a link.

In respect of the Annual Benefit Statement, Members were directed to a table in the papers showing the numbers sent out this financial year. Members noted that it was good news that out of the 17,000 issued 6,300 were issued as online statements only. Officers noted that next year it was hoped to increase the numbers of individuals accessing the online statement and then only those who opted out would have a paper copy which would lead to huge savings in the cost of printing and postage.

In relation to the Annual Benefit Statement, the Chairperson asked about the 'gone aways' and envelopes returned. Officers clarified that an exercise was in place with the software provider looking at gone aways and a tracing exercise to try and trace those people. Officers informed Members that since the letters had gone out there had been a significant increase (1961) in the numbers who had registered for online statements.

Officers directed Members' attention to Appendix 2 which showed the backlogs which had been split into three main areas. The Authority was currently looking at third party support to address the outstanding backlogs. This option was currently being considered and discussions with the procurement team were ongoing. It was hoped that progress in this area would be made soon.

The Chairperson asked if in a future report the backlogs could be dealt with at the same stage as Appendix 1 in terms of the figures and staffing.

ACTION:

- 1. In relation to the 'Number of Completed Tasks per Year' for future reports a graph to be produced with the current year plus 2 and the Appendix to contain the previous years and the graph of pre-Covid figures as a benchmark.**
- 2. Officers to convene a joint meeting for Members to receive a presentation on what was required to comply with the Pensions Dashboards (Amendment) Regulations 2023 and what members would see on the Pensions dashboard.**

RESOLVED: To note the work being undertaken by the Pensions Administration Section and the progress in the areas covered by the report.

4. Wales Pension Partnership (WPP) and Investment Update

This report was to update the Board concerning recent Wales Pension Partnership (WPP) and investment matters for the Cardiff & Vale of Glamorgan Pension Fund (Fund).

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

HW asked for clarification regarding paragraph 6 of the report relating to the WPP Sustainable Equity Sub Fund which stated that it had been developed to align with the WPP's sustainability goals including Net Zero and had a clear climate focus. There were a number of exclusions including Controversial Weapons. She asked what was meant by the term controversial weapons as opposed to non-controversial weapons. Officers to liaise with Russell Investments to seek clarification on the official definition.

A discussion took place on the move to the Sustainable Equity Fund and PK felt it was something that should be actively publicised.

The Chairperson enquired as to the timetable coming up to re-tender. Officers responded that the Operator procurement was proceeding with the procurement documents released in mid-October. The end of January would see a Bidder's

interview day which would be followed by an officer preferred bidder recommendation to the March 2024 JGC meeting. The new Operator contract would commence in December 2024.

The Chairperson referred to the level of investments with WPP and that this demonstrated how important it was in terms of the Investment Model.

LPB Members were informed that In July 2023 the Department of Levelling-Up, Housing and Communities (DLUHC) issued a consultation on the future of Pooling. A full copy of the consultation was attached as Appendix 1, with Appendix 2 providing a summary of the consultation proposals and questions.

The Chairperson enquired as to the size of the WPP Fund overall compared to the £50 billion threshold. Officers responded that was £25 billion as opposed to the £50 billion threshold. For Wales 60% of assets had been pooled and 80% for Cardiff and Vale

LPB Members were informed that the Pension Fund had engaged Hyman Robertson to advise the Fund on setting a Net Zero Target. A workshop was held on 30 October with a second workshop targeted for Tuesday 5 December, in County Hall at 10.00 am in Committee Room 3. The current timeline was for the May 2024 meeting of the Pension Committee to approve the Net Zero target for the Fund. The Chairperson added that several LPB Members had attended the first workshop and it was very positive session with all participants engaging fully.

Officers encouraged as many board members as possible to attend the second workshop taking place in December. Even though Members may have missed the first one Hymans Robertson would be covering off the content of the first workshop so they would be able to actively engage in the second workshop. Officers highlighted that this was a major piece of work and was something that the pension fund would be committed to in its move towards net zero in the years to come.

The Chairperson added that all the slides for the first presentation were circulated prior to the meeting and were available and all LPB Members should have received invitations to the workshops.

ACTION: Officers to liaise with Russell Investments to seek clarification on the official definition of Controversial/Non Controversial Weapons.

RESOLVED: To note the developments with the WPP and the Fund's Investments.

5. Review of the Risk Register

This report was for the Board to review the current Risk Register for the Pension Fund before it is submitted to the Pension Committee.

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

LPB Members were advised that the changes to the Risk Register since the last meeting, were highlighted in paragraph 5 of the report for ease of reference.

The Chairperson asked if anything had been in the Risk Register in relation to the DHLUC Pooling Consultation. Officers responded that this had not been included and added that most of the recent changes were in relation to Sustainable Equity and the Link Sale.

A discussion then took place on Members' views of the changes in the Risk Register and whether it was felt that the DHLUC Pooling Consultation should be added. Officers advised that multiple consultations were received from time to time where the outcome was unsure. If the Risk Register was updated on consultations it became a little less certain. If the risk register was limited to facts that were known and not what might happen. If we know what will definitely happen as a risk we will include it. It could be added in when there was more certainty.

PK suggested that, whilst not wishing to add to the Risk Register because the DHLUC Pooling was a consultation document, it may be worth minuting something to capture the feelings of the LPB in being alert to the possible ramifications should it happen. This would then capture that the LPB had considered it.

ACTION: The Chairperson and officers to liaise over suitable wording regarding the LPB's consideration of the DHLUC Pooling Consultation and to monitor the outcome according to the consultation.

RESOLVED: To note the Risk Register.

6. Draft Pension Fund Annual Report 2022/23

The report was to preview the current draft unaudited 2022/23 Annual Report for the Pension Fund before the audited version was submitted to the Pension Committee for approval.

Officers advised that the Annual Report had a statutory deadline of 1 December 2023. It was not currently at a complete final document but was reaching that stage with some fine tuning (including some of the tables having duplicate rows which would be tidied up). Members noted that a substantial part of the Annual Report was the statement of accounts approved by Council on 26 October 2023 which were close to being signed off by the Auditor.

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

The Chairperson advised Members that the Annual Report contained some very useful information on employers, number of audited bodies, scheduled bodies, number of members, a number of policy statements, contribution levels and some extremely useful background information on the scheme as a whole. He added a comment that he attended a Chair's Engagement Meeting twice a year and that this was not currently in the LPB Report. He felt it was a useful way in which the

communication lines had improved since the establishment of the WPP and should be included in the LPB Report.

ACTION: Chairperson to liaise with officers to add information on the Chair's Engagement Meeting to the Report.

Officers were in the process of finalising the Report prior to forwarding to Audit Wales and then the Pension Committee for approval on 27 November 2023. LPB Members were asked for any comments with the next week to 10 days.

ACTION: LPB Members to send any final comments on the draft Annual Pension Fund Annual Report 2022/23 to the Chairperson or the Pensions Manager.

RESOLVED: To note the current version of the unaudited 2022-23 Annual Report.

7. Any Other Business

PK mentioned, if investing in infrastructure, one possibility could be to buy farmland and then letting it out to small producers with sustainable credentials and aims which would fulfil a few of the criteria of the net zero thrust. The Chairperson suggested that as well as property investment this could also result in social impact investment. He asked that the observation made be noted and followed up by the appropriate channels, perhaps going to the Investment Committee.

Officers added that as a result of the net zero work that was actively being carried out for the fund, and when whatever target was signed up to, there would need to have a road map in place and decisions made about what investment strategy needed to be followed. It was noted that some of the funds had net zero targets and work would be undertaken collaboratively through the pool and through the Investment Committee to determine what changes needed to be made to the investment strategy to hit that target. As a result, things like farms and woodlands for example may well come under active consideration at that time.

LPB Members were provided with an update from LB in relation to Vale of Glamorgan Council taking on the administration of the payroll of Stanwell School (August) and Cowbridge School (September).

The Chairperson encouraged anyone who wished to attending training course to do so. Upcoming training included courses on Pension Fundamentals, CIPFA, LGA Conference, York and a number of other training programmes.

ACTION: Board Members to make contact with JN if interested in attending any upcoming training courses.

The Chairperson thanked officers for their detailed reports and to Board Members for attending today's meeting.

Date of next meeting

2024 meetings of Local Pension Board to be confirmed with first 2024 meeting to be mid /end of January 2024.

Mae'r dudalen hon yn wag yn fwriadol