



County Hall
Cardiff
CF10 4UW
Tel: (029) 2087 2000

Neuadd y Sir
Caerdydd
CF10 4UW
Ffôn: (029) 2087 2000

SUPPLEMENTARY PAPERS

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|---------------------------------|---|
| Committee | PENSIONS COMMITTEE |
| Date and Time of Meeting | MONDAY, 15 MAY 2023, 5.00 PM |
| Venue | REMOTE MEETING - TEAMS |
| Membership | Councillor Weaver (Chair) Councillors Dilwar Ali, Lay, Reid-Jones and Taylor |

The following papers were marked 'to follow' on the agenda circulated previously

- 3 Minutes (Pages 3 - 8)**
To approve as a correct record the minutes of the meeting held on 6 February 2023.

Davina Fiore

Director Governance & Legal Services

Date: Tuesday, 9 May 2023

Contact: Andrea Redmond, 02920 72434, a.redmond@cardiff.gov.uk

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PENSIONS COMMITTEE

6 FEBRUARY 2023

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

27 : APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Lay and Chris Lee.

28 : DECLARATIONS OF INTEREST

None received.

29 : MINUTES

The minutes of the meeting held on 28/11/22 were agreed as a correct record subject to the inclusion of Cllr Taylors apologies.

30 : FUNDING STRATEGY STATEMENT (FSS)

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

Members asked if the actuaries had been consulted and were advised that the actuaries have drafted the suggested amendments to the FSS but the consultation with stakeholders was undertaken by the Pension Fund. .

Members noted the issue of treatment of Employers with surplus over 110%.

RESOLVED: To approve the revised Funding Strategy Statement.

31 : INVESTMENT STRATEGY STATEMENT

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

Members referred to the paragraph in the report on Climate Change and asked if there was merit in also including human rights implications too. Officers agreed and explained that the document relates to the whole spectrum of ESG and they could certainly strengthen the wording in any areas. The Chairperson agreed that it could expand on the range of things that ESG covers, and this could be looked at alongside the actions of the WPP.

RESOLVED: To approve the revised Investment Strategy Statement, subject to the revision of the section relating to ESG.

32 : REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

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

Members noted that this had been considered by the Local Pension Board in January and had been to Pensions Committee previously, and there had been very few changes.

RESOLVED: To approve the Governance Compliance Statement.

33 : ANNUAL REVIEW OF FUND POLICIES AND STRATEGIES

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

Members noted that this had been seen by the Local Pension Board who were content.

Members noted that the Communications Policy was comprehensive but considered it could say more about purpose and values. Officers agreed and stated that this could be included.

RESOLVED: To approve the updated

- a) Communications Policy
- b) Complaints and Compliments Policy
- c) Administration Strategy

34 : RISK REGISTER

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

Members noted that it had not been too long since they had seen the Risk Register and that there had been limited movement since.

Members noted that the LPB had endorsed the register and had not requested any further changes.

Members asked questions around McCloud and if there was any sense of how long this would reverberate around the pension world and stay on the Risk Register. Officers considered it would be a little while yet as they were still waiting on a software update to deal with the historic cases. Currently data cleansing is happening and when up to date it will be business as usual going forward.

Members discussed Resource Implications for the fund and noted that challenges in recruitment are being seen nationally. Members were assured by Officers that they are trying different approaches to recruitment including redrafting adverts to attract more administrative candidates and by using a Matrix agency for a more streamlined recruitment process. Discussing whether salaries are appropriate, Officers considered that posts may need to go through job evaluation again due to the

change in regulations and increasing complexity in the pensions field, and to ensure that the grades reflect the responsibilities.

Members asked whether alternative approaches to administering the fund had been considered such as digitalisation or merging the administrative function across Wales. Officers explained that merging the function has not been considered yet, if it was then it would be more of a medium to long term approach. The focus has been on automating and a digital first approach through Member Self-Serve. Members were advised that Cardiff and the Vale currently have 30-40% take up for Member Self-Serve and there would be a continued push to increase this take up further. Members were pleased to hear of the positive approaches being taken in this area.

RESOLVED: To note the contents of the Risk Register.

35 : 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.

Members noted that 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. Members further noted that Robeco are regular presenters at the WPP JGC but always in the closed session of these JGC meeting and that Robeco have produced summary reports of their voting and engagement activity for Q4 2022. Members asked that these reports are shared with Pension Committee Members.

RESOLVED: To note the recent developments related to the WPP Investment Pool and the current Fund March 2022 tri-annual Valuation

36 : PENSION COMMITTEE TRAINING

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

Members discussed the importance of training and keeping up with issues in what is a very complicated and ever-changing area. Discussing the best approach to training, Members agreed that officers arrange training to be delivered post committee meetings to make best use of time. Members also asked that if appropriate, training engagement with the actuaries and advisors be organised.

RESOLVED To note the proposed in-house training programme set out in the report.

37 : PENSION FUND NET ZERO TARGET

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

Members supported the approaches outlined in the report by Officers.

The Chairperson stated that it was important that committee get clear advice and can make informed decisions as pooling brings its own set of complications due to funds setting their own targets. He added that over time, there would be convergence with at least some of the other funds so that there are pooled investments that funds agree to go into together. He stated that this will be intuitive to start as each of the particularly Welsh funds, do pieces of work that influences what opens as opportunities to others.

The Chairperson requested that the minutes reflect that the Committee has previously said it is open in principle to the disinvestment from fossil fuel extracting companies, which is different to net zero and decarbonisation, but committee would like these areas explored as well and to establish if there is a roadmap to potentially take the route of greater exclusions. He added that it may be when the evidence and advice is received, that at that point these products are not available, or if it is it may be very risky or destabilising to make those kind of investment decisions, however Committee have said they wish to explore this further.

The Chairperson expressed his personal view that as inadequate action continues from Governments across the world, there are a growing number of reports making it explicitly clear that the current expectations of carbon extraction cannot continue and the Chairperson considered that the fund needs to prepare for the fact that this is the undeniable evidence and that there may well be more rapid decisions made in the future as Governments catch up with the reality of what they are being told now. He added that the fund should be preparing for decarbonisation and the fact that the fossil fuel industry is the one industry that is guaranteed to not survive this century, if human beings are going to then there is a need to start preparing for that now or there is a risk of getting caught out as a fund. So, whilst agreeing that action should be taken regarding net zero, he wanted to stress the committees standing commitment to explore the exclusion of fossil fuel extraction from the funds' investments, subject to all the appropriate investment advice being sought, and to include the exploration of that advice alongside the net zero target. He wished to explore with Russell Investments initially to see what options already exist in terms of this exploratory approach and what that means in terms of the benchmarking analysis the fund would need to do to be able to make the right decisions.

Officers advised that they have already made Russell aware of the Committees stance and the need to make some rapid progress. Officers assured committee that they would take their views into account in this piece of work.

RESOLVED: To

1. Note the Climate Change reporting initiatives that have taken place or will be in the near future.
2. Agree for officers to undertake further research to scope a journey to Net Zero for the Fund.
2. Agree that the Corporate Director Resources in accordance with the Council's Scheme of Delegations may determine all aspects of the procurement process for the appointment of appropriate specialist external advisors (including approving the evaluation criteria to be used and authorising the award of the

contracts) and all ancillary matters pertaining to the procurement and proposals above.

38 : MINUTES OF THE LOCAL PENSION BOARD

Noted.

39 : EXCLUSION OF THE PUBLIC

RESOLVED that Item 8 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.

40 : MINUTES OF THE INVESTMENT ADVISORY PANEL

Noted.

41 : URGENT ITEMS (IF ANY)

None received.

42 : DATE OF NEXT MEETING

15 May 2023.

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