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AGENDA

Committee	PENSIONS COMMITTEE
Date and Time of Meeting	THURSDAY, 11 JULY 2019, 5.00 PM
Venue	COMMITTEE ROOM 2 - COUNTY HALL
Membership	Councillor Weaver (Chair) Councillors Dilwar Ali, Howells, Lay and Graham Thomas

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 Minutes *(Pages 3 - 8)*

To approve as a correct record the minutes of the meeting held on 30 May 2019.

4 Wales Pension Partnership *(Pages 9 - 20)*

To receive an update on the Wales Pension Partnership.

5 Draft Statement of Accounts 2018-19 *(Pages 21 - 24)*

To note the draft Statement of Accounts for 2018-19

6 Investment Strategy & Asset Allocation 2019-20 *(Pages 25 - 34)*

To consider the recommendations of the Investment Advisory Panel.

7 Engagement with the Pensions Regulator *(Pages 35 - 38)*

To receive a report on the engagement exercise carried out by TPR

8 Minutes of the Local Pension Board *(Pages 39 - 44)*

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To note the minutes of the Local Pension Board meeting held on 29 January 2019

9 Exclusion of the Public

The following item is confidential and exempt from publication as it contains exempt information of the description contained in paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. The public may be excluded from the meeting by resolution of the Committee pursuant to Section 100A(4) of the Local Government Act 1972 during discussion of this item.

10 Minutes of the Investment Advisory Panel *(Pages 45 - 48)*

To note the minutes of the Investment Advisory Panel meeting held on 19 March 2019

11 Urgent Items (if any)

12 Date of next meeting

The next meeting of the Pensions Committee is to be confirmed.

Davina Fiore

Director Governance & Legal Services

Date: Friday, 5 July 2019

Contact: Andrea Redmond,

02920 72434, a.redmond@cardiff.gov.uk

PENSIONS COMMITTEE

30 MAY 2019

Present: Councillor Weaver(Chairperson)
Councillors Howells and Graham Thomas

1 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Dilwar Ali and Lay.

2 : DECLARATIONS OF INTEREST

None

3 : MINUTES

The minutes of the meeting held on 14 January 2019 were agreed as a correct record and signed by the Chairperson.

4 : CLIMATE CHANGE INVESTMENT POLICY

Members were advised that the report provided the latest position in working towards a Climate Change Investment Policy.

At its meeting on 14 January 2019 the Committee received a report presenting a draft Climate Change Investment Policy. The report proposed four key action areas for the Committee to consider in managing the Fund's exposure to climate change risks:

- Movement of passive investments to funds tracking "low carbon" indices
- Engagement with companies through the WPP and LAPFF
- Disinvestment from companies representing a continuing risk
- Positive investment in companies developing clean technology

The Committee noted the work carried out to date, agreed to adopt the overall objectives of the policy and asked for the Local Pension Board to be consulted on the proposals.

The Committee also asked for work to be progressed on the feasibility and impact of specific divestment in fossil fuel extraction, recognising that any such action must be consistent with its fiduciary duties and prudent investment of the Fund's assets.

The Committee noted that since its last meeting, both Cardiff Council and the Welsh Government have declared a Climate Emergency.

The Local Pension Board met on 29 January and members were supportive of the proposals. The Board noted that the policy made positive steps towards addressing climate change risk in a proportionate and measured manner.

The Investment Advisory Panel met on 19 March and supported the proposals for an initial 10% allocation to a Global Low Carbon fund with provision for further allocations in subsequent years subject to the outcome of regular reviews on the performance and impact of the fund.

The Wales Pension Partnership (WPP) is developing a Responsible Investment Policy. The policy will include a section on climate change and a commitment to consult further with the eight pension fund authorities with a view to developing a WPP-specific climate risk policy.

The WPP Responsible Investment Policy currently being established will note that whilst the WPP has not adopted a policy of exclusionary practices, it will recognise that Constituent Authorities may individually adopt such a policy. In line with Cardiff Council's Capital Ambition commitments, officers will continue to work with the investment partners of the Fund and the WPP to explore options for excluding from its investment portfolios those companies which present the most significant climate change risks; for example, over a period of time disinvesting in companies engaged in fossil fuel extraction.

The Chairperson invited questions and comments from Members;

Members considered that a 10% initial allocation seemed unambitious and were advised that 10% actually equates to £200million which is a third of the passive investment. Members considered it would be useful to see an analysis of this figure.

Members noted the work on low carbon and the work on progressing the feasibility and impact of disinvestment and considered there could be further scoping work undertaken in relation to tobacco and arms so that Cardiff knows what acceptable investment are for its funds. Members considered this could be an area for stronger discussion with all Members.

RESOLVED that the Committee:

- (1) Approves the recommendation of the Investment Advisory Panel to make an initial allocation during 2019/20 of 10% of fund assets to a fund tracking a Global Low Carbon index.
- (2) States its support in principle for disinvestment in companies engaged in fossil fuel extraction, subject to this being consistent with its fiduciary duties and regular assessment of the impact of such an investment decision; and states its support for further development of Climate Change Investment Policy to reflect this work and ensure investment decisions are consistent with the aims of the Paris Agreement.
- (3) Notes the ongoing work being undertaken in collaboration with the other WPP authorities and the WPP's investment partners.

5 : WALES PENSION PARTNERSHIP

Members were advised that this report updates 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.

The first two sub funds – Global Growth and Global Opportunities – were launched in January 2019 with nearly £4 billion of assets transferred from seven of the eight pension funds. Cardiff & Vale of Glamorgan Fund did not place any assets in these funds as its current asset allocation does not include Global Equities.

Further sub funds, covering regional equities and fixed income, will be launched during 2019/20. Cardiff currently holds assets totaling £450 million in active equities and £570 million in fixed income. Members were advised that more detail would be provided to the JGC in June and this would take the level of pooling to 50% across Wales. It was expected that a substantial proportion of Cardiff's assets will have been pooled by the end of 2019 and progress will be reported to Committee at its meeting in November.

A Responsible Investment Policy is being developed by the WPP. The JGC approved principles for the Policy at its meeting on 27 March following a presentation by consultants Hymans Robertson. A draft Policy will be prepared and circulated to the eight authorities for review before being presented to the JGC in September.

Members were advised that the WPP would act as a coordinating body and individual authorities would have the last word on the strategies.

The Chairperson invited questions and comments from Members;

Members asked if there had been any information coming from the Officer Working Group and were advised that it was a work in progress; it was difficult to draw any realistic conclusions from the performance indicators from the first quarter as it wasn't a full quarter and the reports are only partial. Discussions are ongoing in relation to what needs to be reported; the requirements regarding performance indicators needed to be effective, clear and robust would be reiterated to the operator as they need to be seen to add value.

Members sought clarification on Regional Equities and were advised that for example Japan would be a region.

RESOLVED: To note the recent developments in the establishment of the WPP Investment Pool.

6 : COMPLAINTS POLICY

Members were advised that this report requests that the Committee formally adopt a Complaints Policy in respect of the administration of the Pension Fund.

Officers of the Council held a series of meetings and conference call with case workers of the Pensions Regulator (TPR) during 2018-19 as part of TPR's engagement with a sample of LGPS funds. TPR reviewed the policies and

governance documents for the Fund and noted that although Cardiff Council has a corporate complaints policy, there is no comprehensive complaints policy in place for Pensions Administration. TPR advised that the Pensions Committee should formally adopt a Complaints Policy at its next meeting.

The LGPS Regulations place specific obligations on administering authorities in respect of the adjudication of applications from any person whose rights or liabilities under the Scheme are affected by a decision, act or omission by the authority or one of the Scheme employers. Regulation 74 requires an authority to appoint an adjudicator to consider applications and Regulation 76 provides for a decision of the adjudicator to be referred for reconsideration by the administering authority. The Internal Dispute Resolution Procedure (IDRP) sets out how such applications are dealt with. The Pensions Committee's Terms of Reference includes determining how disputes are administered under the IDRP.

It is proposed that a comprehensive complaints policy for Pensions Administration, based on the corporate policy, is put in place and that all formal complaints are recorded. Complaints which fall under the IDRP will be dealt with in line with that process. Other complaints e.g. complaints about service quality, will be dealt with in line with the policy.

Resolved that the Committee:

- (1)Adopts the proposed Complaints Policy for the Pension Fund.
- (2)Notes that the IDRP applies to complaints against decisions in relation to LGPS benefits in compliance with the LGPS Regulations
- (3)Notes that all complaints falling outside the IDRP will be dealt with under the Complaints Policy.
- (4)Delegates to the Corporate Director Resources the authority to appoint adjudicators for applications under stages 1 and 2 of the IDRP.

7 : MINUTES OF THE LOCAL PENSION BOARD

Noted.

Members were reminded that they are welcome to attend Local Pension Board Meetings as observers.

8 : 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 these items in accordance with the same legislation.

9 : MINUTES OF THE INVESTMENT ADVISORY PANEL

Noted

10 : URGENT ITEMS (IF ANY)

None

11 : DATE OF NEXT MEETING

11 July 2019 at 5.00pm in Committee Room 2, County Hall, Cardiff.

The meeting terminated at 5.30 pm

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CARDIFF COUNCIL CYNGOR CAERDYDD



PENSIONS COMMITTEE: 11 JULY 2019

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4

WALES PENSION PARTNERSHIP

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.

Background

3. The Committee 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 and Investment Officers of the eight funds. Link Fund Solutions have been appointed as the Pool Operator and Russell Investments will provide consultative services including advice on fund design and manager selection. Carmarthenshire Council have been approved as the Host Authority, providing administrative support to the WPP.
5. The first two sub funds of the WPP Authorised Contractual Scheme (ACS) were launched in January 2019 with assets of approximately £4 billion.

Issues

6. Further sub funds, covering regional equities and fixed income, will be launched during 2019/20. The JGC approved the proposals for 4 fixed income sub funds at its meeting on 28 June. Cardiff currently holds assets totaling £770 million in active equities and £580 million in fixed income.
7. A Responsible Investment Policy is being developed by the WPP. The JGC approved principles for the Policy at its meeting on 27 March. A draft Policy has been circulated for

consideration by the eight Pension Committees with a view to sign off at the JGC meeting on 20 September. The draft Policy is attached as Appendix 1.

Legal Implications

8. This report has been prepared to update the Committee on progress in the establishment of pooled investment arrangements for the eight LGPS funds in Wales and as such does not raise any direct legal implications however the general legal advice set out below should be considered.
9. 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.
10. 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.
11. 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.
12. 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 2019-22: <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
13. 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
14. 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>

15. 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

16. The costs of the WPP will be 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

17. That the Committee notes the recent developments in the establishment of the WPP Investment Pool.
18. That the Committee considers the draft Responsible Investment Policy.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendix 1 Draft Responsible Investment Policy

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Wales Pension Partnership Responsible Investment Policy

1 Introduction and oversight

- 1.1 The Wales Pension Partnership ("WPP") is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds ("Constituent Authorities").
- 1.2 The investment arrangements of WPP are overseen by a Joint Governance Committee ("JGC") and supported by an Officer Working Group ("OWG") and implemented through pooled funds managed by its "Investment Managers".
- 1.3 This document sets out WPP's policy on responsible investment for all assets invested within the WPP. This policy has been developed by WPP in consultation with the Constituent Authorities.
- 1.4 WPP's objective in preparing and implementing this policy is to be able to:
 - 1.4.1 demonstrate to its stakeholders that the WPP is a Responsible Investor; and
 - 1.4.2 enable the Constituent Authorities to substantially deliver their own Responsible Investment and Social Impact policies through the WPP.
- 1.5 WPP recognises that responsible investment considerations pose financially material risks to the assets of Constituent Authorities held within WPP. Such considerations are relevant in relation to both the way the assets of Constituent Authorities are invested and in the exercise of stewardship responsibilities.
- 1.6 This policy will be reviewed by WPP on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC and OWG. In order to inform the policy review, WPP will consult with or otherwise obtain the views and requirements of all Constituent Authorities.
- 1.7 In developing and implementing this policy, WPP will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board ("SAB"), the Ministry of Housing Communities and Local Government ("MHCLG") and the Welsh Government.

2 Ambition and beliefs

- 2.1 WPP's long-term ambition is to demonstrate leadership on RI practices in managing assets for and on behalf of the Constituent Authorities. WPP, in conjunction with the OWG & JGC, will update its annual business plan to ensure that sufficient time and resources are provided to implement the requirements of this policy.
- 2.2 WPP recognises that the development of beliefs represents best practice for asset owners. In consultation with the Constituent Authorities, the WPP has developed and agreed the following responsible investment beliefs which serve to underpin its decision-making and governance processes.
 - 2.2.1 The RI behaviours we want to see demonstrated by all our stakeholders must be led by WPP;

- 2.2.2 Integration of ESG factors, including climate change, into investment processes is a prerequisite for any strategy given the potential for financial loss;
 - 2.2.3 WPP is most effective as an investor engaging for change from within, particularly in collaboration with other like-minded investors, as opposed to a campaigner lobbying for change from outside.
 - 2.2.4 Our impact on corporate behaviours will be greatest when we speak with one voice;
 - 2.2.5 Effective oversight of RI practices requires clear disclosure and measurement of comprehensive data.
- 2.3 WPP recognises that these beliefs represent a starting point for the guidance of its approach to responsible investment. Although WPP does not expect to regularly change these beliefs, it will test the ongoing appropriateness of them on a periodic basis in light of changing best practice and developing knowledge.
- 3 Investment strategy**
- 3.1 The Constituent Authorities are individually responsible for setting investment strategy for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes including but not limited to equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.
- 3.2 WPP openly encourages the Constituent Authorities to develop their own RI policy as part of their investment strategy. WPP has developed and may periodically amend this RI policy to ensure that it complements those of the Constituent Authorities.
- 3.3 WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations, including strategies which either meet the responsible investment requirements of Constituent Authorities or have the potential to deliver benefit within the regions covered by the Constituent Authorities. WPP will use this information to prioritise the development and launch of future investment solutions/funds within the WPP.
- 3.4 In conjunction with its advisers the WPP will also consider opportunities arising from a greater understanding of ESG factors. These opportunities could include impact and/or sustainability themed strategies, as well as social beneficial investments. WPP may propose such opportunities directly for consideration by Constituent Authorities.

4 Climate change

- 4.1 Climate change presents a systemic risk that has the potential to affect economies, financial returns and demographics. The risks arising from climate change may arise from environmental, social, governance or other factors and are generally characterised as follows:
- 4.1.1 Physical risks, such as damage to property from flooding or lower precipitation giving rise to crop failure;
 - 4.1.2 Transition risks, being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy; and

- 4.1.3 Liability risks, being the potential costs arising from parties who have suffered loss or damage due to climate change seeking compensation from those they hold responsible.
- 4.2 Climate change is increasingly being recognised by regulatory bodies and legislators as an issue that must be explicitly addressed by asset owners and investment managers. The uncertainty arising from climate change has implications for Constituent Authorities through the investments made within WPP.
- 4.3 WPP will engage with its providers to ensure that a common mechanism for monitoring climate related risks can be developed in respect of all WPP assets. Through this, WPP aims to provide support to Constituent Authorities in developing and implementing their own climate risk management policies.
- 4.4 WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the Taskforce for Climate Related Financial Disclosures.
- 4.5 In developing its ongoing approach to responsible investment, WPP will consult further with Constituent Authorities with a view to developing a WPP-specific climate risk policy.
- 5 Exclusions**
- 5.1 WPP has not adopted a policy of exclusionary practices within its underlying active manager portfolios. However, the WPP recognises that the Constituent Authorities may individually adopt an exclusionary policy.
- 5.2 WPP recognises that active investment management is by its very nature exclusionary and therefore expects that all the investment managers employed within WPP will properly consider climate-related and other ESG risks in decision making within their respective portfolios.
- 5.3 Constituent Authorities have the ability to invest in passive or other rules-based strategies through WPP's passive Investment Manager which may follow an exclusionary approach.
- 6 Implementation of strategy**
- 6.1 WPP expects that the Investment Managers employed to manage WPP assets will take account of ESG-risks as part of their investment analysis and decision-making process. WPP further expects that its Investment Managers can demonstrate they are 'best-in-class' with regards to their integration of responsible investment considerations.
- 6.2 WPP expects that, in all relevant circumstances, its Investment Managers will be signatories to the Principles for Responsible Investment ("PRI") and the Financial Reporting Council ("FRC") UK Stewardship Code.
- 6.3 WPP will engage with its Investment Managers on an ongoing basis to ensure that ESG factors are transparently reflected in decision making processes and that the approach taken to the management of ESG factors can be properly evidenced. WPP expects that such processes extend beyond reliance purely on third party ratings/data.
- 6.4 Within rules-based or index tracking mandates managed, WPP recognises the influence of benchmarks on the selection of assets. Where appropriate, WPP will work with its Investment

Managers and Constituent Authorities to ensure that the potential implications and impact of ESG factors on different approaches are properly understood.

7 Stewardship

- 7.1 WPP believes that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities. WPP also believes that successful engagement with investee companies can protect and enhance the long-term value of the Constituent Authorities' investments within WPP.

Voting

- 7.2 WPP has agreed a set of voting principles with its Operator which is responsible for the implementation of these principles. The Operator has instructed the underlying active investment managers within pooled funds to apply these voting principles on a comply or explain basis in respect of their portfolio(s).
- 7.3 WPP recognises that its passive Investment Manager may adopt a single voting policy across their pooled funds and WPP will review the appropriateness of such a policy on a periodic basis. WPP will engage with its passive Investment Manager to consider how WPP's voting principles can be extended to assets managed by its passive Investment Manager.
- 7.4 WPP will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. WPP will discuss any issues of concern with its Investment Managers or other delegates as necessary.
- 7.5 WPP will review the voting principles in conjunction with its advisers and Investment Managers on an annual basis. WPP has also agreed an ambition to appoint a single proxy voting adviser to ensure that voting on all shares held within WPP is undertaken on a consistent basis.
- 7.6 All the Constituent Authorities are members of the Local Authority Pension Fund Forum ("LAPFF"). As members, the Constituent Authorities receive LAPFF Alerts when there is a campaign to vote in a certain way. WPP and its Constituent Authorities will give consideration to all such LAPFF Alerts and, where possible, instruct its Investment Managers to vote in line with the LAPFF Alert unless there is sufficient reason not to.

Stock lending

- 7.7 WPP has agreed that stock lending will be permitted within WPP's actively managed pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. However, WPP will not lend 100% of the holding in any single stock so WPP can express its views and make a policy stance on any topic it deems worthy though its right to vote.
- 7.8 WPP recognises that stock lending may inhibit the full application of its voting policy as votes may not be cast on stock on loan. WPP will continue to monitor the impact of this policy stance over time and revise its policy if required.

Shareholder engagement

- 7.9 WPP considers that, in many cases, its Investment Managers are best placed to engage with investee company management due to:
- the practical constraints of the investment structure;
 - the resources available to these managers which are funded by the fees paid through WPP; and
 - the existence of relationships between investment managers and the underlying investee companies.
- 7.10 The Investment Managers are ultimately accountable to WPP for all engagement activity; they should be able to demonstrate, when challenged, the reason for any engagement activity and the objectives of the engagement. Further to this Investment Managers should be able to justify the approach taken to achieve their objectives and explain the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.
- 7.11 WPP adopts an evidence-based approach to assessing engagement activity by managers. WPP will receive a report on engagement activity undertaken by investment managers on a quarterly basis. WPP will discuss any issues of concern with the Investment Managers.
- 7.12 WPP has agreed to explore the possibility of employing a single engagement provider in conjunction with the prospective consideration of a proxy voting agent.

8 Collaboration

- 8.1 WPP believes that collaboration has an important role in helping the WPP achieve its RI objectives. WPP will continually assess potential collaboration opportunities and will inform and seek input from the Constituent Authorities on any such opportunity that it deems to be relevant.
- 8.2 WPP together with all Constituent Authorities are members of LAPFF and engagement takes place with companies on behalf of members of the Forum.
- 8.3 WPP has an ambition to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of WPP's assets on investee companies. WPP will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.
- 8.4 WPP will encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of Constituent Authorities.
- 8.5 WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.

9 Monitoring, Reporting and Measurement

- 9.1 WPP aims to be aware of, and monitor, financially material ESG-related risks and issues within WPP assets. In consultation with Constituent Authorities, Advisers and the Investment Managers, WPP will develop appropriate monitoring metrics for its portfolios. Such metrics

are expected to include climate-related risk exposures. WPP expects that such metrics will be incorporated within quarterly reporting to Constituent Authorities.

- 9.2 WPP requires that the responsible investment credentials of all appointed Investment Managers are subject to annual review. In conjunction with the relevant parties, the WPP will develop an appropriate reporting framework for its Investment Managers.
- 9.3 On an annual basis, the WPP will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved.

10 Other

- 10.1 WPP recognises the need for ongoing education for Constituent Authorities on a broad range of investment matters, including responsible investment. As part of its annual business planning, WPP will ensure there is at least one formal training session is directly focused on Responsible Investment.
- 10.2 WPP is investigating, and will seek guidance from the Constituent Authorities, on whether it should become a signatory to the PRI and the updated FRC UK Stewardship Code. WPP will also explore the possibility of incorporating the United Nations' Sustainable Development Goals into its RI beliefs and its monitoring and measurement mechanisms.
- 10.3 WPP expects that all investment managers employed on behalf of WPP will disclose costs in accordance with the SAB Code of Transparency.
- 10.4 WPP will review the adherence of all parties to this policy on an annual basis. WPP will publish the results of their assessment as part of their annual stewardship and governance report.

11 Further Information

- 11.1 If you require any further details on the RI Policy please contactand refer to the WPP website.

Version 1.0
May 2019

Glossary

Engagement refers to the process of interaction between an investor (or its delegate) and the management of an investee company with the objective of creating change in how the underlying company is managed or governed.

ESG is used to collectively describe a series of different risk factors arising from Environmental (e.g. resource scarcity, waste management, pollution, energy efficiency), Social (e.g. health & safety, workforce diversity, working conditions, data protection) and Governance (e.g. board structure, business ethics, shareholder rights, executive compensation) issues.

Impact is a term generally used to describe the social or environmental outcome arising from a particular investment or investment decision, being distinct from the associated financial outcome.

Investment Managers refers to those investment managers appointed directly or indirectly by WPP for the purposes of managing assets on behalf of WP.

Operator means Link Fund Solutions as the appointed operator of the Authorised Contractual Scheme through which sub-funds are implemented for WPP.

Principles for Responsible Investment is a global network of asset owners, asset managers and service providers which has the objective of advancing responsible investment practices.

Proxy Voting Agent means an entity which is instructed to advise on and/or cast votes on resolutions on behalf of an asset owner.

Responsible investment refers to investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance.

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management but also includes the oversight of those to whom such responsibilities are delegated.

UK Stewardship Code is a set of principles and provisions produced by the Financial Reporting Council which sets out best practice in stewardship activities by Asset Owners and Asset Managers.

UN Sustainable Development Goals are a set of 17 global goals for 2030 set by the UN General Assembly in 2015.

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CARDIFF COUNCIL CYNGOR CAERDYDD



PENSIONS COMMITTEE: 11 JULY 2019

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5

DRAFT STATEMENT OF ACCOUNTS FOR 2018-19

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. The Terms of Reference include considering the Fund's financial statements and agreeing the Annual Report.

Background

3. As Administering Authority, Cardiff Council is responsible for producing the annual Statement of Accounts for the Fund. Draft accounts for 2018/19 have been submitted for audit and were presented to the Council's Audit Committee on 25 June. The accounts are available for public inspection for 20 working days, from 18 June to 15 July.
4. Audited accounts will be presented to Audit Committee on 10 September and Full Council for approval on 12 September. The approved accounts will be published on the Council website by 15 September. The accounts will also be included in the Fund's Annual Report for 2018/19 which will be presented to this Committee for approval on 4 November and published by 1 December.

Issues

5. The Income and Expenditure for the Fund is summarised on page 9 of the accounts. Contributions from employers/employees were 6.3% higher than in 2017/18. This is due to an increase in the underlying pensionable pay combined with stepped increases in contribution rates for certain employers from 1 April 2018. Outgoing monthly pension payments were 5.3% higher than in 2017/18, reflecting an increase in the number of pensioners and dependants combined with a 3% inflation-linked pension increase in April 2018. Transfers in and out of the Fund resulted in a net inward transfer of £4.4 million, mainly due to a settlement with RCT Pension Fund in respect of staff transferred in 2015 to the joint Regulatory and Adoption Services managed by Vale of Glamorgan Council. Consequently the Fund's overall cashflows in respect of fund members were a net inflow of £11.5 million over the year.

6. The closing net assets of the Fund as at 31 March 2019 were £2.18 billion, an increase of 5.4% from the 2018 figure of £2.07 billion. The market value of the Fund's investments increased by £114 million and £27 million was received as income (and reinvested).
7. The Fund's overall investment return over the financial year was 5.1% relative to a market benchmark of 5.7%. Market sentiment swung from optimism at the start of the financial year to pessimism in the last quarter of 2018 and back to optimism at the start of 2019, reflecting uncertainties concerning the departure of the UK from the EU, changes in the direction of central bank monetary policies and tensions over US-China trade relations.
8. The performance of manager portfolios during 2018-19 compared with their benchmarks is summarised in the table below:

Manager	Mandate (target against benchmark)	Benchmark return (%)	Portfolio Target (%)	Portfolio Return (%)
Aberdeen Standard	Global bonds (+1%)	2.9	3.9	3.0
BlackRock	UK Equities (passive)	6.4	6.4	6.4
BlackRock	US Equities (passive)	17.7	17.7	17.9
State Street	European Equities (+2%)	2.7	4.7	-0.6
Nikko	Japanese Equities (+3%)	-1.8	1.2	-3.7
Schroders	Asia-Pacific Equities (+3%)	4.0	7.0	6.9
Aberdeen Standard	Emerging Markets Equities (+3%)	0.1	3.1	2.8
Invesco	UK Equities (unconstrained)	6.4	N/A	-4.1
JP Morgan	UK Equities (unconstrained)	6.4	N/A	1.6
Majedie	UK Equities (+2%)	6.4	8.4	3.9
Private Equity Funds (28)	Global Private Equity	6.4	6.4	16.4
UK Property Funds (4)	UK Property	4.8	4.8	3.5
CBRE	Global Property (10% absolute return)	N/A	10.0	12.7

9. Over the last three financial years 2016-19, the average annual return was 9.6% against a benchmark return of 10.0%. Over the past 10 years, the average return was 10.5% against a benchmark of 10.6%.

Legal Implications

10. The Statement of Accounts is a technical document, the contents of which Legal Services are unable to comment upon. It is noted that the document is still in draft form and will be subject to scrutiny by Audit Committee in September.
11. The body of the report confirms that the approved accounts will be included in the Funds Annual Report and these will be reported to Committee in November

The recommendation does not appear to raise any specific legal implications however the general legal advice set out below should be considered.

General Legal Advice

12. 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.

13. 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.
14. 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.
15. 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 2019-22: <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
16. 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
17. 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>
18. 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

19. No direct financial implications arise from this report.

Recommendations

20. That the Committee notes the draft Statement of Accounts for the 2018-19 Financial Year.

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

Link to draft Statement of Accounts:

<http://cardiff.moderngov.co.uk/documents/s31406/7.2%20-%20Appendix%202%20Unaudited%20Draft%20Pension%20Fund%20Statement%20of%20Accounts%202018-19.pdf?LLL=0>

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



PENSIONS COMMITTEE: 11 JULY 2019

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6

Appendices 1 and 2 of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

INVESTMENT STRATEGY & ASSET ALLOCATION

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 request that the Committee approve the Strategic Asset Allocation recommended by the Investment Advisory Panel for 2019-20.

Issues

3. The Investment Advisory Panel reviews the Fund's Strategic Asset Allocation annually. A fundamental review is carried out following each Triennial Valuation and minor changes may be made following interim reviews in other years. Formal approval of the Asset Allocation now falls within the Committee's remit.
4. At its meeting in September 2018, the Panel decided not to recommend any changes to the Asset Allocation but to carry out a further review after six months. In March the Panel considered the opportunities presented by the pooled funds launched by the Wales Pension Partnership in January and the proposals in progress for further sub funds. The Panel report is attached as confidential Appendix 1. The Panel accepted the proposed changes to the allocation subject to advice from the Fund's actuaries on the risk/reward impact of the proposals. A report to the Panel meeting of 10 June confirmed that there were no material impacts on the risk/reward profile and the Panel agreed to recommend the amended allocation to the Committee.
5. The allocation recommended by the Panel for 2019-20 is shown in Appendix 2. The allocation includes the Committee's decision to invest 10% of Fund assets in a low carbon tracker fund.
6. If approved, the revised allocation will be implemented in stages during the remainder of the calendar year, subject to the WPP launching the additional sub funds required.

Legal Implications

7. The first recommendation refers to Strategic Asset Allocation this is a technical document, the contents of which Legal Services are unable to comment upon. It is understood by Legal Services that this is drafted and prepared with assistance from appropriate external advisors and is recommended for approval by the Pensions Advisory Panel and it is understood this is an annual review rather than a fundamental review. This recommendation does not appear to raise any specific legal implications however the general legal advice set out below should be considered.
8. The second recommendation asks committee to note that the Corporate Director Resources has authority under the Council's Scheme of Delegations to make arrangements to implement the approved amendments. This recommendation does not appear to raise any direct legal implications. Any decisions must however be made in accordance with the Council's Scheme of Delegations and the general legal advice set out below.

General Legal Advice

9. 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.
10. 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.
11. 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 2019-221: <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>

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

12. There are no direct financial implications arising from this report.

Recommendations

13. That the Committee approves the Strategic Asset Allocation recommended by the Investment Advisory Panel.
14. That the Committee notes that the Corporate Director Resources has the authority under the Council's Scheme of Delegations to make arrangements to implement the approved amendments.

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix 1 – Report to Investment Advisory Panel 19 March 2019 CONFIDENTIAL
Appendix 2 - Proposed Asset Allocation for 2019-20 CONFIDENTIAL

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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



PENSIONS COMMITTEE: 11 JULY 2019

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7

ENGAGEMENT WITH THE PENSIONS REGULATOR

Reason for this Report

1. To update the Committee concerning the engagement exercise carried out by The Pensions Regulator between November 2018 and April 2019.

Issues

2. The Pensions Regulator (TPR) has had responsibility for public sector pension schemes (including the Local Government Pension Scheme) since 2015. During 2018 TPR announced that they would be carrying out a review of the LGPS by engaging with a sample of LGPS administering authorities. Authorities were chosen to cover the range of fund sizes and geographical spread within the LGPS, not because of any concerns about the administration of those particular funds. Cardiff was included in the review – the only Welsh fund in the sample.
3. A schedule of meetings between TPR case workers and Council officers was agreed, covering areas which TPR wished to review in depth. The meetings were a combination of face-to-face meetings and conference calls between 28 November 2018 and 4 April 2019.
4. The meetings and calls covered a range of issues, based on TPR's Code of Practice 14 which covers the governance and administration of public sector pension schemes. After each meeting the case workers prepared an 'observation letter' summarising the discussions and making recommendations for action by the administering authority as scheme manager. A recurring issue was that Cardiff Council's Corporate processes are in place and being applied to the pensions administration function but TPR expected to find pensions-specific processes and documentation.
5. An action plan has been agreed in response to TPR's recommendations. A number of actions are already complete or are in progress. The Pension Board minutes have been published as a report to the Pensions Committee and the Committee has approved a Pensions specific Complaints Policy. A member tracing exercise has been carried out and communications have been sent to potential new addresses. Internal procedures are being reviewed and documented with the assistance of Cardiff's Capital Ambition Delivery Team.
6. The recommendations include considering the introduction of a Pension Administration Strategy (PAS). The PAS is an statement of the authority's policies in relation to:
 - procedures for liaison and communication with scheme employers

- establishment of performance targets and service level agreements between the authority and scheme employers
- related procedures including monitoring and reporting of performance against targets and charging additional administration costs to an employer where the employer's performance is unsatisfactory.

The PAS is optional under the LGPS Regulations but TPR consider it best practice for an administering authority to adopt one. Once in place the PAS must be published and kept under review.

7. The implications of introducing a PAS will be considered during 2019/20. Employers and other stakeholders will be consulted and any proposals brought to the Committee for approval.
8. TPR will be producing a summary report on the LGPS drawing conclusions from their engagement with all the authorities in the sample.

Legal Implications

9. The recommendation is an update and no decision is sought. The body of the report confirms that an action plan has been agreed in relation to TPR's recommendations and further reports to committee are anticipated. As such the report does not raise any direct legal implications however, the general legal advice set out below should be considered.

General Legal Advice

10. 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.
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12. 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 2019-22: <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>

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:

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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

13. There are no direct financial implications arising from this report.

Recommendations

14. That the Committee notes the conclusion of the TPR engagement process.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

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**CARDIFF & VALE OF GLAMORGAN PENSION FUND
LOCAL PENSION BOARD
29 JANUARY 2019**

Present: Mr Michael Prior (Independent Chair)

Employer Representatives:
Carys Lord (Vale of Glamorgan Council)
Mr David Llewellyn (Finance Director, Cardiff Met. University)

Scheme Member Representatives:
Mr Peter King (Unison Nominee)

In Attendance: Christine Salter, Corporate Director Resources
Gareth Henson, Pensions Manager
Karen O'Donoghue-Harris, Principal Pensions Officer
Gill Nurton, Democratic Services Manager

Apologies: Cllr C Priday (Community Councillor, Pentyrch)
Gary Watkins (OM Revenues),
Ms H Williams (Unison Nominee)
Mr Ken Daniels (GMB Nominee)

1: Declarations of Interest

No declarations of interest were received.

2: Minutes of previous meeting and Matters arising

The minutes of the meeting held on 30 October 2018 were agreed as a correct record and signed by the Chairperson subject to minor typographical changes

Matters arising:

Min No 6 - Governance Survey – The Chairperson asked if this had been circulated to Board Members and what progress had been made. The Officer advised that progress was ongoing.

Min No 10 Any Other Business – Section 13 – Previous Valuation. The Chairperson asked if the link to the valuation had been circulated to Board Members to allow them to become familiar with the content and performance of the Cardiff & the Vale Fund. The officer (GH) was asked to circulate the link.

3: Administration Issues (External) – The Pensions Regulator and Guaranteed Minimum Pension Reconciliation

The Pensions Regulator (TPR)

The Board received an update on TPR review of the LGPS during 2018 – 2019 that commenced in November 2018. The review involved a number of meetings with Pension officers. The initial meeting in London on 28 November attended by Gareth Henson and Karen O'Donoghue-Harris. The meeting covered:

- scheme record keeping,
- administration risk and
- Communications to members.

The meeting was positive and the TPR appeared to recognise the progress made by Cardiff in increasing resources, improving the production of annual benefit statements and developing a Fund website. An observation letter was received on 9 January and officers are preparing a response to clarify some of the points raised.

The second meeting was held via conference call on 10 January, attended by Christine Salter, Gary Watkins, Gareth Henson and Karen O'Donoghue-Harris. The meeting covered:

- Identification and mitigation of risks,
- the Fund's Internal Dispute Resolution Procedure; and
- the Fund's Risk Register and the Council's Financial Procedure Rules were discussed.

Further conference calls have been scheduled for 6 February and 7 March to cover:

- (February) Maintaining contributions, employer compliance, affordability
- (March) Pension Board (knowledge/understanding and relationship with the Scheme Manager), conflicts of interest and scam/cyber/fraud risks.

The final meeting is due to be held on 4 April and will review outstanding actions and recommendations. Christopher Lee, the new Corporate Director, will attend the meeting. Observation letters are issued after each meeting.

The Panel was advised that although during the initial meeting TPR appeared to be satisfied with the progress made in issuing benefit statements, during the conference call the officers were advised that as not all statements had been issued by the statutory deadline a Breach of Law report had to be submitted. This was issued on 15 January. The risk of non-compliance with the regulations concerning benefit statements has been added to the Pensions Risk Register.

The board discussed a number of matters in relations to matter raised by the TPR in particular in light of the number of employer clients and the context for the fund. Once the final meeting had taken place a report would be provided to the officers from which an action plan would be agreed to evidence steps taken and identify outcomes

RESOLVED – That the steps being undertaken as part of the review were noted and the Board requested sight of the Final Report from the Pension Regulator.

Guaranteed Minimum Pension Reconciliation

The Fund commissioned JLT to report on the current accuracy of Contracting-Out data, including Guaranteed Minimum Pension (GMP), held on the administration systems compared with those held on the National Insurance Service to Pensions Industry (NISPI) records.

Following the initial reconciliation phases, queries had been submitted to HMRC in batches ahead of the 31 October deadline and JLT have been processing responses. Regular progress meetings are being held with JLT, and responses from HMRC to all outstanding queries were due shortly. The Board was advised that it was however unlikely those changes required to pensions already in payment can be timed to coincide with the annual pensions increase in April. The pensions increase will be implemented first and the reconciliation completed prior to the submission of data to the actuary in July for the triennial valuation.

It was noted that arrears would be paid but no overpayments need to be paid back by individuals.

Board Members were assured that these matters were not material to the Scheme as a whole and any liability for the Fund would be modest.

RESOLVED – That the report be noted and the Board be updated at its next meeting.

4: Administration Issues (Internal) - Performance and Website

The Board was provided with updates in relation to Performance, Workforce and the Pension Fund Website.

Administration Workloads and Performance

The Board received and updated report including statistics for October-December based on the new targets and details of the previous two quarters. The Board was advised that in most categories the Pension Section had continued to improve with increases in the proportion of cases completed within the target deadlines and reductions in the average working days taken to complete each case category. The improvements had been supported by increase workforce capacity following recent recruitment.

In addition, a service review of the section's processes by the Capital Ambition Delivery team commenced in December. The review was planned to be completed by March.

RESOLVED – That the Board requested a copy of the report from the Capital Ambition Delivery Team

Rollout of iConnect

The Fund has purchased the iConnect interface that enables employers to upload pay and contributions data to the database on a monthly basis, replacing the requirement to provide a detailed year-end return. This assists in keeping members' data up to date. Queries concerning missing or inconsistent data can be resolved in year rather than at year-end.

Two versions of iConnect are available – an online return option and a data file processing option. Of the 42 active fund employers, 37 have agreed to use the online return and 5 are or will be providing data files. A summary of progress in rolling out the interface was provided. Most employers using the online option are up to date. The creation of extract files from payroll systems has required specialist IT work and of the five employers, using this option. Only Cardiff is live and up to date. Work is in progress to go live with files for the other 4 employers by the end of the financial year. Training for employers was ongoing and the member self-serve would be implemented in 2019/20.

Member Address Tracing

The Fund is required to maintain and up to date contact details for each member. This is [particularly difficult if members do not advise the Pensions Section of changes of address.

To comply with its obligations and to improve data quality ahead of the triennial valuation, the Fund is carrying out a tracing exercise with its partner ATMOS (which already provides monthly reports of pensioners who have died). A file of 2,081 deferred members and 157 pensioners had been sent to ATMOS on 21 January and the outcome of the exercise will be reported to the next Board meeting.

Fund Website

The Board was advised that the development of the website is in the final stages with only a few sections in the specialist areas of the Councillors' Scheme and Fund Investments still to be finalised and agreed prior to go live mid- February.

The Communications Officer is coordinating plans to advertise the launch of the website using several communications channels:

- to Cardiff employees through Core Brief, intranet, staff e-mails, payslip messages and the staff app;
- to employees of other employers through their staff briefing processes;
- to deferred members via a post card to their home address;
- to pensioners as part of their annual Pension Increase letter

RESOLVED – That the work being undertaken by the Pensions Administration Section and the progress in the areas covered by the report.

5: Wales Pension Partnership

The Board was provided with an update on the development of the WPP investment pool and collaborative investing of the other seven LGPS funds in Wales (except Cardiff). Cardiff & Vale Fund currently has large investments with other major funds and is reviewing its plans with a view to investing in one of both of the joint funds.

Further discussions will take place at the next All Wales Pool meeting on 31 January 2019

The Board discussed the governance arrangements; inter authority agreements; the role of the Pension Board and Chairs of the Pension Boards and the current informal consultation being undertaken by the Ministry of Housing, Communities and Local

Government's Guidance on LGPS Asset pooling and governance, scrutiny , transparency and accountability. The consultation was open until the end of March.

RESOLVED – That

1. the Board noted the developments in the Wales Pension Partnership and progress in the establishment of the Authorised Contractual Scheme;
2. the Board respond to the informal consultation endorsing the important role of the Pension Board in assisting authorities in ensuring effective and efficient governance

6: Climate Change Investment Policy

The Panel received an update on the work to develop a Climate Change Investment Policy that was being overseen by the Investment Advisory Panel and the Pensions Committee. The Panel were invited to Comment on the Policy Framework.

The Panel welcomed the opportunity to engage made the following comments:

- noted the Pension Committee's proposals in setting long term targets for the reduction of the Pension Fund exposure to environmental risks and supported the adoption of
 - the movement of passive investments to funds with low carbon indices;
 - engaging with companies through the Wales Pension Panel (WPP) and the Local Authority Pension Fund Forum(LAPFF);
 - disinvestment from companies with a continuing risk; positive investment in companies developing clean technology
- some concerns were raised around the policy of disinvestment and the risks to the fund;
- the opportunities for a gradual tilting of assets and investments;
- there was no indication of time frames;
- need for a better understanding of the wider carbon footprint
- the suggestion of a joint meeting of the Pension Committee and the Panel.

RESOLVED – That

1. the Panel welcomed the opportunity of feeding back to the Pension Committee and proposed that further discussions on the Climate Change Investment Policy could be undertaken at a joint meeting;
2. The Panel was keen to know when the Policy would be adopted and why timescales would be set and how they would be monitored.

7: Board Member Training

The Panel received an update from the Chair on the LGPS Governance Conference, Bristol held earlier in the month that had excellent speakers on a wide range, covering investment costs, impact of investments, fund valuation and legal updates. There were various CIPFA LGPS courses in Manchester in the forthcoming months and the Pension Manager would circulate details to Panel Members

8: Risk Register 2018/19

The Panel was advised of an update to the rolling Risk Register since the last meeting that was as follows:

P16 – Failure to deliver Annual Benefits Statements by the statutory deadline of 31 August 2019.

This was a Red risk category as small employers did not always return data by the deadlines. Mitigating controls were in place for tracking and actioning that which would reduce the risk.

RESOLVED – That the update to the Risk Register was noted

9: Any Other Business

- (a) Membership – the Pension team would manage the process for the extension of membership of Carys Lord and Christine Priday on the Panel to 4 years.
- (b) Christine Salter – this was the last meeting for Christine Salter, Corporate Director Resources and Section 151 Officer and all those present thanked her for her exceptional service and wished her all the very best for her retirement.

10: Date of next meeting: to be confirmed for June 2019

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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