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## AGENDA

<b>Committee</b>	PENSIONS COMMITTEE
<b>Date and Time of Meeting</b>	MONDAY, 12 JULY 2021, 5.00 PM
<b>Venue</b>	REMOTE MEETING
<b>Membership</b>	Councillor Weaver (Chair) Councillors Dilwar Ali, Howells, Lay and Graham Thomas

*Time approx.*

### 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 5 - 8*)

To approve as a correct record the minutes of the meeting held on 17 May 2021.

### 4 **Wales Pension Partnership** (*Pages 9 - 12*)

To receive an update on the Wales Pension Partnership.

### 5 **Risk Register** (*Pages 13 - 20*)

To consider the Pension Fund's Risk Register.

### 6 **Statement of Accounts 2020/21** (*Pages 21 - 24*)

To receive an update on the Pension Fund's Statement of Accounts for 2020/21.

## **Exclusion of Press and Public**

**Item 7 is confidential and not for publication by virtue of paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972.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 will be excluded from the meeting for the presentation of this item in accordance with the same legislation.**

**7 Minutes of the Investment Advisory Panel** *(Pages 25 - 28)*

To note the minutes of the Investment Advisory Panel meeting held on 2 March 2021.

**8 Urgent Items (if any)**

**9 Date of next meeting**

The next meeting of the Pension Committee is 23 November 2021 at 4pm followed by the informal Joint Meeting with the Local Pension Board.

**Davina Fiore**

**Director Governance & Legal Services**

Date: Tuesday, 6 July 2021

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

## **WEBCASTING**

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PENSIONS COMMITTEE

17 MAY 2021

Present: County Councillor Weaver(Chairperson)  
County Councillors Dilwar Ali and Howells

16 : APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Lay.

17 : DECLARATIONS OF INTEREST

None received.

18 : MINUTES

To minutes of the meeting held on 8 February 2021 were approved as a correct record.

19 : BUSINESS PLAN 2021/22

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

A copy of the 2021/22 Business Plan had been provided to Members. The Business Plan was presented to the 27 April 2021 meeting of the Local Pension Board for review. The purpose of the Business Plan is to set out the key action points for the administration of the Fund over the next financial year in the context of the Fund's goals and objectives over the longer term. The Plan also includes membership statistics for the current and previous three years.

The Plan outlines the key work priorities for the Fund over the next twelve months as well as the achievements over the last financial year.

The Plan includes a summary budget for 2021/22, where:

The Fund's sources of income are:

- the contributions from employers and employees
- investment returns in the form of income and capital growth

The Fund's expenditure comprises:

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

The budget assumes a "cashflow neutral" position in which contributions received match benefits paid and administration expenses.

The Chairperson invited questions and comments from Members;

Members asked if the Local Pension Board get updated on performance. Officers advised they do, through the Administration Update reports and they have also seen the business plan.

Officers added that this plan looks to futureproof for challenges ahead. In relation to resources, Officers explained that consultation with Trade Unions is imminent.

RESOLVED to approve the Business Plan for 2021/22.

## 20 : WALES PENSION PARTNERSHIP

Officers updated 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.

Members were advised that as at 31 March 2021, the Fund's holdings in the WPP Sub-funds totaled £862.3 million with holdings in the individual Funds as follows :-

- i. UK Opportunities Equities Fund - £230.3 million.
- ii. Multi Asset Credit Fund - £153.4 million
- iii. Global Government Bond Fund - £252.5 million
- iv. Global Credit Fund - £226.1 million

Following the approval of the Pension Committee at its November 2020 meeting the appointment of a Transition Manager to facilitate the transfer of the fund's existing Regional Equity mandates into the WPP Global sub-funds is almost complete. The valuation as at 31 March 2021 of the fund's assets to be transferred to WPP Global Equity Sub-funds is c£689 million with this transfer expected to take place during June 2021. Russell Investments have confirmed that from 31 March 2021 the WPP Global Opportunities sub-fund will benefit from their decarbonisation overlay. This will be implemented through their Enhanced Portfolio Implementation (EPI) Framework which is targeting a 25% carbon footprint reduction relative to the sub-funds benchmark (MSCI All Country World Index). Baillie Gifford, who are one of the sub-managers in the Global Growth Fund, have developed their proposals to ensure that their portfolio complies with the 2015 Paris Agreement.

WPP proposals for an Emerging Markets Equities sub fund are the subject of a separate report on the agenda with an autumn launch for this sub-fund expected. The Fund currently holds assets totaling £127 million in Emerging Markets equity.

Officer led work has also continued with regard to options for WPP Private Market Funds which will cover Property, Private Debt, Private Equity and Infrastructure assets. The initial focus has been on the appropriate structure(s) in which the WPP can hold Private Market assets. Private Debt and Infrastructure remain the asset classes with the initial focus on developing investment opportunities which are asset classes this fund has not currently invested in. WPP options for Property and Private Equity Investments will follow in further phases. Once the options for WPP Funds in these areas are further developed a report will be submitted to Pensions Committee to approve any future investment or transition of assets to the WPP.

The WPP's Responsible Investment Officers sub-group has also continued to meet. An updated Climate Risk policy has recently been circulated for comment with the intention that this policy will be approved at the July 2021 JGC meeting. One of the WPP training events for 2021/22 will focus on Responsible Investment

A copy of the WPP Business Plan for 2021-24 had been provided to Members. The WPP have asked that Constituent Authorities individually approve the Business Plan. The Business Plan is a high level strategic document and includes sections on :-

- v. Introduction and Background to the WPP
- vi. The Governance structure including details of its governance objectives and WPP engagement mechanisms and frequency of this engagement.
- vii. The WPP approach to Risk Management.
- viii. The Objectives, Beliefs and Policies of the WPP
- ix. WPP Work Plans split over the three financial years covered by the Business Plan
- x. WPP Training Plans
- xi. A high level view of the WPP Budget
- xii. A brief description of the WPP sub-funds
- xiii. Contact details

The Chairperson invited questions and comments from Members;

Members asked if there was an intention to appoint a Scheme member representative to sit on the WPP Joint Committee. Officers explained that the WPP will increasingly look to update the inter-authority agreement to facilitate this and an update would be provided in the next couple of months.

RESOLVED That the Committee :-

1. Notes the recent developments related to the WPP Investment Pool.
2. Approves the WPP Business Plan 2021-2024

## 21 : RISK REGISTER

Officers advised Members that 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.

The Risk Register is regularly reviewed by Fund officers and is also presented to the Local Pension Board for their review. The current Risk Register was attached as Appendix 1 and was reviewed by Pension Board at its meeting on 27 April 2021. The standard Risk Matrix used for the Corporate Risk Register was attached as Appendix 2.

The Risk Register was previously presented to the Pension Committee at its meeting on 8 February 2021 so this update focussed on changes to the register compared to the version presented to the previous Committee meeting.

Risk P18 has been updated to reflect the withdrawal of the proposed Exit Payment Cap regulations but as further regulations for this area are expected in the future this risk has not been closed.

A new risk, P21, for Climate Change and Environmental, Social and Governance (ESG) risk has been added to the Risk Register.

The Chairperson invited questions and comments from Members;

Members considered it was good practice to see this at Committee in a public meeting.

RESOLVED: to note the Risk Register.

## 22 : MINUTES OF THE LOCAL PENSION BOARD

RESOLVED: to note the minutes of the Local Pension Board meeting held on 19 January 2021.

## 23 : EXCLUSION OF THE PUBLIC

RESOLVED That the following two items are confidential and exempt from publication as they 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 these items.

## 24 : MINUTES OF THE INVESTMENT ADVISORY PANEL

RESOLVED: To note the minutes of the Investment Advisory Panel meeting held on 1 December 2020.

## 25 : WPP EMERGING MARKET (EM) SUB-FUND

RESOLVED: to approve and note the respective recommendations in the report.

## 26 : URGENT ITEMS (IF ANY)

None received.

## 27 : DATE OF NEXT MEETING

5pm on 12<sup>th</sup> July 2021.

The meeting terminated at 5.35 pm

***This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg***

**CARDIFF COUNCIL  
CYNGOR CAERDYDD****PENSIONS COMMITTEE : 12 JULY 2021****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 and Board has received regular updates on the development of the Wales Pension Partnership by the eight LGPS administering authorities in Wales. The proposals for a Wales Investment Pool were approved by the Minister for Local Government in November 2016.
4. A Joint Governance Committee (JGC) has been established by the eight administering authorities to provide oversight of the Pool. The JGC is supported by the Officer Working Group (OWG) comprising the Treasurers (Section 151 Officers) and Investment Officers of the eight funds. Link Fund Solutions have been appointed as the Pool Operator and Russell Investments will provide consultative services including advice on fund design and manager selection. Carmarthenshire Council have been approved as the Host Authority, providing administrative support to the WPP. Hymans Robertson were appointed, in January 2020, as Oversight Advisors to support the WPP in managing its relationship with Link and Russell Investments as well as providing advice on governance and strategic investment strategy.
5. Three Equity Sub Funds had been launched prior to 2020/21 financial year, a UK Equity Fund and two Global Equity Funds with Cardiff and the Vale Pension Fund (the Fund) investing in the WPP UK Equity Fund. 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.

**Issues**

6. As at 30 June 2021, the Fund's holdings in the WPP Sub-funds totaled £881 million with holdings in the individual Funds as follows :-

- i. UK Opportunities Equities Fund - £239.7 million.
  - ii. Multi Asset Credit Fund - £156.03million
  - iii. Global Government Bond Fund - £254.6 million
  - iv. Global Credit Fund - £231.4 million
7. Following the approval of the Pension Committee at its November 2020 meeting the appointment of a Transition Manager to facilitate the transfer of the fund's existing Regional Equity mandates into the WPP Global sub-funds has been completed with Macquarie Capital (Europe) Ltd appointed following a procurement using the LGPS Framework. The current valuation of the fund's assets to be transferred to WPP Global Equity Sub-funds is c£700 million with this transfer expected to be completed in July 2021. Russell Investments have confirmed that from 31 March 2021 the WPP Global Opportunities sub-fund will benefit from their decarbonisation overlay. This will be implemented through their Enhanced Portfolio Implementation (EPI) Framework which is targeting a 25% carbon footprint reduction relative to the sub-funds benchmark (MSCI All Country World Index). Baillie Gifford, who are one of the sub-managers in the Global Growth Fund, have developed their proposals to ensure that their portfolio complies with the 2015 Paris Agreement.
8. The Pension Committee at its meeting on 17 May 2021 approved the recommendation that this Fund should transfer its existing Emerging Markets (EM) Equity holding to the WPP EM sub-fund. The Fund currently holds assets totaling £129 million in Emerging Markets equity. The WPP EM sub-fund has a target launch date of October 2021 and this Fund will be joined by three of the other Welsh Pension funds in investing in the WPP EM sub-fund. Russell Investments have confirmed its choice of Sub-managers for the WPP EM sub-fund as well as confirming that the sub-fund will also benefit from a decarbonisation overlay in a similar manner to the Global Opportunities sub-fund.
9. Officer led work has also continued with regard to options for WPP Private Market Funds which will cover Property, Private Debt, Private Equity and Infrastructure assets. The initial focus has been on the appropriate structure(s) in which the WPP can hold Private Market assets. Private Debt and Infrastructure remain the asset classes with the initial focus on developing investment opportunities which are asset classes this fund has not currently invested in. WPP options for Property and Private Equity Investments will follow in further phases. Once the options for WPP Funds in these areas are further developed a report will be submitted to Pensions Committee to approve any future investment or transition of assets to the WPP.
10. The WPP's Responsible Investment Officers sub-group has also continued to meet. One of the WPP training events for 2021/22 will focus on Responsible Investment and work to introduce a co-opted member to the WPP Joint Governance Committee (JGC) is continuing with advice being sought from the WPP's Legal Advisers as to the implications for the Inter-Authority Agreement (IAA).

## **Legal Implications**

11. 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.

## 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 2021-24.

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. 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**

13. That the Committee notes the recent developments related to the WPP Investment Pool.

**CHRISTOPHER LEE  
CORPORATE DIRECTOR RESOURCES**

**REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM : 5****PENSION FUND RISK REGISTER****Reason for this Report**

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

**Background**

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

**Issues**

3. The Risk Register is regularly reviewed by Fund officers and is also presented to the Local Pension Board for their review. The current Risk Register is attached as Appendix 1 and was reviewed by Pension Board at its meeting on 6 July 2021. The standard Risk Matrix used for the Corporate Risk Register is attached as Appendix 2.
4. The Risk Register was previously presented to the Pension Committee at its meeting on 17 May 2021. The update presented to this meeting is largely unchanged compared to the version previously presented.
5. Risk P20 – Resource Implications - has been updated to reflect the commencement of the recruitment process for six additional posts but as the recruitment process has not been completed the risk rankings have not been changed.

**Legal Implications**

6. 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

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 2021-24.

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**

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

### **Recommendations**

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

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

### **Appendices:**

Appendix 1 Risk Register July 2021  
Appendix 2 Risk Matrix

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Ref	Risk Description (Consider Risk Cause & Risk Consequences)	Inherent Risk		Current Controls	Residual Risk		Proposed Improvement Actions	Risk Reduction Target Date	Owner	Status		
		Likelihood Consequence	Priority		Likelihood Consequence	Priority						
<b>Pensions</b>												
P1	That the Pension Fund's investment strategy is not managed with reference to the long-term growth in the Fund's liabilities	B	1	High - Red	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.	31-Mar-22	Marc Falconer	
P2	Inadequate medium term performance from selecting inappropriate fund managers or asset allocation	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 fund assets transition 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. Manager performance is reviewed by both this fund's Investment Advisory Panel and the WPP OWG and JGC. 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.	C	2	Medium - Red / Amber	Maintain relationships with managers both directly appointed by the fund and WPP Funds especially during period of transition to pooling. Consolidation of WPP Funds into the regular Investment Panel review cycle. Review any impacts of Brexit especially any that will have a long term impact on the investment performance of the Fund	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	Continue to develop monitoring and review processes including for assets managed by WPP.	Ongoing	Marc Falconer	
P4	Collapse of an Investment Manager involving our portfolio	C	1	Medium - Red / Amber	- Assets are increasingly managed by WPP so the Fund, will consider the due diligence activity undertaken by 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	3	Medium - Amber / Green	The Pool Operator is regulated by FCA and the Pool Custodian will ensure segregation of assets. Transition Managers will be appointed for the Pool, or by the Fund for single transfers e.g. WPP Global Equity funds. Consideration to be given for the custodian role to be extended to cover Property and Private Equity assets	Ongoing	Marc Falconer	
P5	MIFID II leads to restrictions on the investment products available to the Fund	A	1	High - Red	Collaboration with investment managers, the Pool Operator, other LGPS funds and the LGA to ensure that the Fund is classified as a Professional Investor by all its managers and the Pool.	C	3	Medium - Amber / Green	Focus on provision of training to Officers, Committee and board members as appropriate and to include training provided by WPP. Appropriate Training Records to be maintained	Ongoing	Marc Falconer	
P6	Pooling arrangements lead to increased costs, lower performance, misalignment with the Fund's investment strategy or conflicts within the Pool	B	2	High - Red	Attendance at working group meetings and conference calls to ensure Cardiff's views are taken account of. Reporting of progress to Pension Committee, Investment Panel and Local Pension Board.	C	2	Medium - Red / Amber	Continuing engagement and scrutiny of detailed plans for pool structures and transition timetables. Monitoring of pooled investments and engagement with the pool operator.	Ongoing	Marc Falconer	CLOSED
P7	Pension Fund Annual Accounts and Report are not produced in compliance with statutory requirements, in line with accounting standards or in line with audit timetable.	B	2	High - Red	The Fund's Custodian provides assurance on the accuracy of investment records (except for property and private equity). Records of benefits paid, contributions received and other expenses are held on SAP. The Group Accountant liaises with external audit and manages the closure process.	C	4	Low - Green	Regular meetings during the financial year between accountancy, including with new Pension fund Accountant, and pensions staff to ensure any issues are identified and resolved before year end.	Ongoing	Marc Falconer	
P8	Failure to adhere to LGPS Regulations	B	2	High - Red	- 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	Engagement with Local Pension Board to develop reporting processes	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	
P9	Failure to communicate with stakeholders	B	3	Medium - Red / Amber	- Contact list for employers updated regularly - Annual Employers' Forum - Annual Trade Union Forum - Annual report and accounts - Member newsletters - Dedicated Communication and Training Officer post established - Look to use all available communication channels	C	3	Medium - Amber / Green	Develop Fund website and member self service facilities. Engagement with employers through site visits and promotion of Employers' Forum. Seek approval of the Pension Administration Strategy and Communication Policy	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	

P10	Withdrawal/default of an employer	B	2	High - Red	<ul style="list-style-type: none"> <li>Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</li> <li>Actuarial valuation aims to balance recovery period with risk of withdrawal</li> <li>Applications for admission to the Fund are considered carefully and guarantees put in place if required</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>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</li> </ul>	Ongoing	Marc Falconer	
P11	Timeliness and accuracy of pension payments including risks arising from maintaining two separate data recording systems	B	2	High - Red	<ul style="list-style-type: none"> <li>Monthly Pensions are paid by the Council's Pay Centre</li> <li>Payroll deadline procedures in place</li> <li>Authorisation of benefits following calculations</li> <li>Additional checks by Payroll</li> <li>Review of all payroll amendments</li> <li>Ensure all new monthly pension starter listings match amounts on Altair</li> <li>Run monthly SPA reports</li> <li>When someone hits SPA, update Altair and Payroll with GMP details</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>Review configuration of systems</li> <li>Recommend purchasing Altair Payroll to replace SAP</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P12	Pensions continue to be paid to deceased pensioners	B	2	High - Red	<ul style="list-style-type: none"> <li>Monthly ATMOS reviews and Tell Us Once data exchanges match pensioner details with national deaths register</li> <li>Pensioners incorporated into National Fraud Initiative</li> <li>Annual life certificates required from pensioners living overseas</li> <li>Tell Us Once database is being updated monthly via the LGPS NI database.</li> <li>Further targeted checks with credit reference agencies as appropriate</li> </ul>	D	4	Low - Green	<ul style="list-style-type: none"> <li>Keep current controls under review and adapt or change as required.</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P13	Membership data is not recorded accurately	A	2	High - Red	<ul style="list-style-type: none"> <li>Senior Officers liaise closely with employers to ensure timely and accurate submission of data</li> <li>i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis</li> <li>Data accuracy checks undertaken by the pension section</li> <li>Data validation checks also undertaken by the Fund Actuary at the triennial valuation.</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>One remaining employer to go live on i-connect for 2021/22.</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P14	Breach of GDPR legislation	A	1	High - Red	<ul style="list-style-type: none"> <li>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</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Monitoring and supervision of staff, regular communications to Fund employers</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P15	Failure to complete GMP Reconciliation resulting in inaccurate payments to pensioners	A	2	High - Red	<ul style="list-style-type: none"> <li>Regular update meetings with JLT</li> <li>Prompt resolution of cases referred back to Fund</li> <li>Fund decision made on stalemate cases</li> <li>Agreed Action Plan in place</li> <li>Critical task and timelines agreed</li> <li>Target end date</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>closely monitor the key tasks that need to be completed during 2021</li> <li>As any GMP adjustments are implemented, ensure there is a reconciliation between Altair and SAP.</li> </ul>	31-Dec-21	Karen O'Donoghue-Harris	
P16	Failure to deliver Annual Benefit Statements by statutory deadline of 31 August	A	2	High - Red	<ul style="list-style-type: none"> <li>Member Self-Service will allow Members to update records and improve compliance.</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>MSS used to enhance the service provided to Scheme members</li> <li>MSS used to upload statements ensuring higher compliance levels</li> <li>Savings on printing and postage costs</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P17	Cyber security	A	1	High - Red	<ul style="list-style-type: none"> <li>Access to all systems is password protected, additional password protection for access to Altair</li> <li>all Staff have completed mandatory modules on cyber security</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>continue to follow advice from ICT and update procedures as required</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P18	Exit Payment Cap	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>Warning still kept on costs estimates for Employers that these are provided under existing regulations and could be subject to change</li> </ul>	C	4	Low - Green	<ul style="list-style-type: none"> <li>If new regulations are tabled consideration will be given at that time to appropriate controls</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P19	McCloud - huge administrative burden, failure to have correct resources to deal with the additional work	B	2	High - Red	<ul style="list-style-type: none"> <li>Employers warned at Employer forum that they will be required to supply missing data</li> <li>ADN commissioned to run reports to identify affected members</li> <li>LGA templates used to upload missing data</li> <li>Templates issued to all employers</li> <li>Deadline set for return of data</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Use third part to assist with project management</li> <li>Change current structure</li> <li>Put additional resources in place to deal with additional workloads</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P20	Resource Implications - Pension Section has insufficient resources to respond to the multiple workload pressures facing the section e.g. McCloud, Exit Cap, etc.	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Scenario planning to be incorporated into 21/22 Business Plan to consider mix of additional resources required in particular what activities would require additional internal resources and what activities would be undertaken by external parties.</li> <li>Use of external resources to provide additional short term capacity</li> </ul>	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> <li>continual monitoring of Pension section workload and updates to resource planning including business plan and budgets.</li> <li>recruitment process for 6 additional staff has commenced</li> </ul>	Ongoing	Karen O'Donoghue-Harris	
P21	The Fund fails to adequately account for climate change, climate risk and ESG factors with Financial loss to assets held and potential for "stranded assets".	B	2	High - Red	<ul style="list-style-type: none"> <li>Publication of a Responsible Investment policy and Climate Risk Policy both for the Fund and the WPP</li> <li>Transfer of funds to BlackRock Low Carbon Tracker Fund</li> </ul>	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> <li>Development of WPP sub-funds that allows climate risk and other ESG factors to be managed</li> <li>Continued engagement and challenge to Investment Managers, especially via WPP, on how they manage climate and ESG risks</li> <li>development of suitable climate change and ESG reporting metrics</li> <li>continued training focus including with the WPP Voting and Engagement provider</li> </ul>	Ongoing	Marc Falconer	

## Risk Matrix and Definitions



<b>High Priority</b>	<b>Red</b> - Significant management action, control, evaluation or improvements required with continued proactive monitoring.
<b>Medium Priority</b>	<b>Red / Amber</b> - Seek cost effective management action, control, evaluation or improvements with continued proactive monitoring.
<b>Medium Priority</b>	<b>Amber / Green</b> - Seek cost effective control improvements if possible and/or monitor and review regularly.
<b>Low Priority</b>	<b>Green</b> - Seek control improvements if possible and/or monitor and review.

		IMPACT				
		1	2	3	4	
LIKELIHOOD	A	A1	A2	A3	A4	<b>Likelihood:</b> A. Very Likely B. Likely C. Possible D. Unlikely E. Very Unlikely  <b>Impact:</b> 1. Major 2. Significant 3. Moderate 4. Minor
	B	B1	B2	B3	B4	
	C	C1	C2	C3	C4	
	D	D1	D2	D3	D4	
	E	E1	E2	E3	E4	

The '**LIKELIHOOD**' table below provides a framework by which you can use to score the likelihood of your risk occurring giving a score of A being very likely to E being very unlikely.

Description	Probability	Criteria
<b>A.</b> Very Likely	<b>75% +</b> chance of occurrence	<ul style="list-style-type: none"> <li>Expected to occur in most circumstances</li> <li>Circumstances and near misses frequently encountered (e.g. daily / weekly / monthly / quarterly)</li> </ul>
<b>B.</b> Likely	<b>50% - 74%</b> chance of occurrence	<ul style="list-style-type: none"> <li>Will probably occur in most circumstances</li> <li>Circumstances frequently encountered</li> <li>Near misses regularly encountered (e.g. once or twice a year)</li> </ul>
<b>C.</b> Possible	<b>30% - 49%</b> chance of occurrence	<ul style="list-style-type: none"> <li>Not likely to occur but a distinct possibility</li> <li>Circumstances regularly encountered</li> <li>Near misses occasionally experienced (e.g. every 1 - 3 years)</li> </ul>
<b>D.</b> Unlikely	<b>10% - 29%</b> chance of occurrence	<ul style="list-style-type: none"> <li>Not expected to happen but there is the potential</li> <li>Circumstances occasionally encountered</li> <li>Any near misses are infrequent (e.g. 3 years +)</li> </ul>
<b>E.</b> Very Unlikely	<b>Less than 10%</b> chance of occurrence	<ul style="list-style-type: none"> <li>May only happen in exceptional circumstances</li> <li>Has rarely / never happened before.</li> </ul>

The **'IMPACT'** table:

Description	1 - Major	2 - Significant	3 - Moderate	4 - Minor
<b>Implications for Service and / or Achievement of Key Targets / Objectives</b>	<p>Major loss of service, including several important areas of service and / or protracted period</p> <p>Service Disruption 5+ Days</p> <p>Major impact on achievement of several key targets / objectives</p>	<p>Complete loss of an important service for a short period</p> <p>Significant effect to services in one or more areas for a period of weeks</p> <p>Service Disruption 3-5 Days</p> <p>Significant impact on achievement of a key target / objective or some impact on several</p>	<p>Moderate effect to an important service for a short period</p> <p>Adverse effect to services in one or more areas for a period of weeks</p> <p>Service Disruption 2-3 Days</p> <p>Moderate impact on achievement of one or more targets / objectives</p>	<p>Brief disruption of service</p> <p>Minor effect to non-crucial service</p> <p>Service Disruption 1 Day</p> <p>Minor impact on achievement of targets and objectives</p>
<b>Reputation</b>	<p>Adverse and persistent national media coverage</p> <p>Adverse central government response, involving (threat of) removal of delegated powers</p> <p>Officer(s) and / or Members forced to resign</p>	<p>Adverse publicity in professional / municipal press, affecting perception / standing in professional / local government community</p> <p>Adverse local publicity of a significant and persistent nature</p>	<p>Adverse local publicity / local public opinion</p> <p>Statutory prosecution of a non-serious nature</p>	<p>Contained within Directorate</p> <p>Complaint from individual / small group, of arguable merit</p>
<b>Health &amp; Safety</b>	<p>Fatality (ies)</p>	<p>Incidents reportable to the HSE (i.e. specified injuries to workers, over seven days lost from work accidents, specified non-fatal accidents to non-workers, specified occupational diseases / dangerous occurrences / gas incidents). Cases of other injury's (not reportable to HSE).</p>	<p>Minor injuries</p> <p>No time lost from work</p>	<p>No injuries but incident has occurred</p>
<b>Failure to provide statutory duties / meet Legal Obligations</b>	<p>Multiple Litigation</p>	<p>Litigation</p>	<p>Ombudsman</p>	<p>Individual claims</p>
<b>Financial</b>	<p>Corporate Budget re-alignment</p>	<p>Budget adjustment across Directorates</p>	<p>Contained within Directorate</p>	<p>Contained within Section / Team</p>
<b>Implications for Partnership (e.g. objectives / deadlines)</b>	<p>Complete failure / breakdown of partnership</p>	<p>Significant impact on partnership or most of expected benefits fail</p>	<p>Adverse effect on partnering arrangements</p>	<p>Minimal impact on partnership</p>
<b>Implications for the Community or the Environment</b>	<p>Extensive, long-term impact</p> <p>Major public health / environmental incident or loss of significant community facility</p>	<p>Long-term environmental or social impact such as a chronic and / or significant discharge of pollutant</p>	<p>Short-term, local environmental or social impact such as a major fire</p>	<p>No lasting detrimental effect on the environment or the community e.g. noise, fumes, dust etc.</p>
<b>Stakeholders</b>	<p>Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences</p>	<p>Stakeholders would experience considerable difficulty in pursuing rights and entitlements</p>	<p>Some minor effects on ability of stakeholders to pursue rights and entitlements, e.g. other sources or avenues would be available to stakeholders</p>	<p>The interests of stakeholders would not be affected</p>

**CARDIFF COUNCIL  
CYNGOR CAERDYDD****PENSIONS COMMITTEE: 12 JULY 2021****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6****DRAFT STATEMENT OF ACCOUNTS FOR 2020-21****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. The draft unaudited 2020/21 Statement of Accounts for the Cardiff and Vale of Glamorgan Pension Fund is now available to view on the Council website. The Pension Fund Statement of Accounts, along with those for the Council and for the Joint Committees where Cardiff is the Accountable body, will be available for public inspection for a period of 20 working days from Thursday 8 July to Wednesday 4 August 2021.
4. Following the completion of the public inspection, the audit of the accounts by Audit Wales will commence. Audited Accounts will be presented to the Governance and Audit Committee and then to Full Council for approval during the autumn. The Pension Fund Statement of Accounts form a significant element of the Fund's Annual Report which is due to be approved at the November 2021 meeting of the Pension Committee prior to the statutory publication date of 1 December.

**Issues**

5. A copy of the draft unaudited 2021/22 Pension Fund Statement of Accounts can be found here ( [Managing the Council's Finances \(cardiff.gov.uk\)](http://cardiff.gov.uk/Managing-the-Councils-Finances) ) and a copy is also attached as Appendix 1.
1. The Statement of Accounts includes the following sections:
  - a. Narrative Report
  - b. Actuarial Statement
  - c. Statement of Responsibilities
  - d. Audit Report – currently blank, updated after the completion of the audit
  - e. Fund Account

- f. Net Assets Statement
- g. Notes to the Accounts
- h. Glossary

6. The draft Statement of Accounts show that the value of the Fund increased by £490,532,000 during 2020/21 with a closing Net Asset value of £2,518,137,000. The market value of the Fund's investments increased by £483 million and £10 million was received as income (and reinvested). There was a net cost of c£2m for the Fund from benefits and other payments, including fund management expenses, less contributions received.

## Legal Implications

7. 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 the Autumn. 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 2021.
8. 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

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 2021-24.

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/peopleand-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. No direct financial implications arise from this report.

## **Recommendations**

10. That the Committee notes the draft Statement of Accounts for the 2021-20 Financial Year.

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

## **Appendices:**

Appendix 1 – Pension Fund Statement of Accounts 2020-21

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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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