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AGENDA

Committee	PENSIONS COMMITTEE
Date and Time of Meeting	MONDAY, 27 JUNE 2022, 5.00 PM
Venue	REMOTE MEETING VIA MS TEAMS
Membership	Councillor Weaver (Chair) Councillors Dilwar Ali, Lay, Reid-Jones and Taylor

Time approx.

1 **Appointment of Chairperson & Committee Membership**

To note the Appointment of the Chairperson and Membership of the Committee as agreed by Council on 26 May 2022.

2 **Terms of Reference** (Pages 5 - 6)

To note the Terms of Reference for the Committee.

3 **Apologies for Absence**

To receive apologies for absence.

4 **Declarations of Interest**

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

5 **Minutes** (Pages 7 - 8)

To approve as a correct record the minutes of the meeting held on 7 February 2022.

6 **Introduction to the Pension Committee**

7 **Wales Pension Partnership** (Pages 9 - 30)

To receive an update on the Wales Pension Partnership

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

- 8 **Risk Register** (Pages 31 - 42)
To consider the Pension Fund's Risk Register
- 9 **Business Plan 2022/23** (Pages 43 - 56)
To consider the Fund's Business Plan for 2022/23
- 10 **Review of Pension Funds Administration Strategy** (Pages 57 - 72)
To consider if amendments to the Pension Fund's Administration Strategy are required.
- 11 **Minutes of the Local Pension Board** (Pages 73 - 78)
To note the minutes of the Local Pension Board meeting held on 18 January 2022.
- 12 **Asset Allocation 2022/23** (Pages 79 - 134)
To consider the Fund's proposed Asset Allocation for 2022/23
- 13 **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.
- 14 **Minutes of the Investment Advisory Panel** (Pages 135 - 142)
To note the minutes of the Investment Advisory Panel meetings held on 14 December 2021 and 8 March 2022.
- 15 **Urgent Items (if any)**
- 16 **Date of next meeting**
The next meeting of the Pension Committee is the joint meeting with the Local Pension Board on 11 July 2022 at 4:30pm.

The next meeting of the Pension Committee is on 28 November 2022 at 5pm

Davina Fiore

Director Governance & Legal Services

Date: Tuesday, 21 June 2022

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

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Pensions Committee Terms of Reference

To discharge the functions of the authority as Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund ('the Fund') as described in the Local Government Pension Scheme (LGPS) Regulations made under the Superannuation Act 1972 (sections 7,12 or 24) and Section 18(3A) of the Local Government and Housing Act 1989; and To discharge the following specific strategic functions with regards to the Fund, taking account of advice from the Corporate Director Resources and the Fund's professional advisers:-

a) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

i) Governance – approving the Governance Policy and Compliance Statement for the Fund;

ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;

iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;

iv) Communications Strategy – approving the Fund's Communication Strategy;

v) Discretions – determining how the various administering authority discretions are operated for the Fund; and

vi) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.

b) Monitoring the implementation of these policies and strategies as outlined in a) above on an ongoing basis.

c) Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.

d) Receiving ongoing reports from the Corporate Director Resources in relation to the delegated operational functions.

e) To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance

f) To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.

g) To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.

h) Consider any pension compliance matters raised by the Fund's Local Pension Board

i) All Members of the Committee will be required to undertake relevant training to enable them to properly discharge their duties

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PENSIONS COMMITTEE

7 FEBRUARY 2022

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

53 : APOLOGIES FOR ABSENCE

Apologies were received from Cllr Dilwar Ali.

54 : DECLARATIONS OF INTEREST

None received.

55 : MINUTES

The minutes of the meeting held on 29 November 2021 were agreed as a correct record.

56 : WALES PENSION PARTNERSHIP

Members were advised that this report had 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.

A comprehensive outline of the report was provided to Committee after which the Chairperson invited questions and comments from Members;

Members were pleased to see the progress on the de-carbonisation overlay and the sustainable active equities.

RESOLVED to note the recent developments related to the WPP Investment Pool.

57 : RISK REGISTER

Members were advised that this item enabled them to review the current Risk Register for the Pension Fund.

A comprehensive outline of the report was provided to Committee after which the Chairperson invited questions and comments from Members;

Members were pleased that the Local Pension Board were going to be looking at Cyber Security and Pension Team Resource in depth as these items were important and timely.

RESOLVED to note the contents of the Risk Register.

58 : REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

Members were advised that this item enabled them to complete the review of the Governance Compliance Statement for the Pension Fund.

A comprehensive outline of the report was provided to Committee after which the Chairperson invited questions and comments from Members;

Members considered it made sense to update this and link it to the Wales Pension Partnership who have been developing their Governance over the last few years.

RESOLVED to approve the Governance Compliance Statement appended as Appendix 1 to the report.

59 : REVIEW OF COMMUNICATIONS AND COMPLAINTS POLICIES

Members were advised that this item enabled them to complete the review of the Communication and Complaints Policies for the Pension Fund.

A comprehensive outline of the report was provided to Committee after which the Chairperson invited questions and comments from Members;

Members asked whether the team receive a significant amount of complaints and compliments. Officers advised that they rarely receive complaints, if they do then they use it as a training and development opportunity to improve. Officers added that they regularly receive compliments about staff going above and beyond to help people at what can be a very stressful time. Compliments are celebrated and passed on to the team.

RESOLVED to approve the updated Communications Policy and Complaints Policy.

60 : MINUTES OF THE LOCAL PENSION BOARD

Noted.

61 : MINUTES OF THE INVESTMENT ADVISORY PANEL

Noted.

62 : URGENT ITEMS (IF ANY)

None received.

63 : DATE OF NEXT MEETING

To be confirmed.

The meeting terminated at 5.28 pm

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

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. Robeco have been appointed Engagement and Voting Advisors and will assist the WPP in areas such as corporate governance and exercising the Partnerships voting rights in line with the Partnerships ambition to become a leader in Responsible Investment.
- 5) Three Equity Sub Funds had been launched prior to 2020/21 financial year, a UK Equity Fund and two Global Equity Funds, Global Growth and Global Opportunities. During 2020/21 five Fixed Income sub-funds were launched by the WPP with this Fund investing in 3 of the WPP Fixed Income sub-funds in August 2020. The Emerging Markets Equity Fund was launched in October 2021

- 6) As at 31 March 2022, the Cardiff and Vale of Glamorgan Pension Fund (the Fund) had invested in seven of the WPP sub-fund's and the value of its holdings in these sub-funds totaled £1,700 million with holdings in the individual Funds as follows :-
- i. UK Opportunities Equity Fund - £233.0 million.
 - ii. Multi Asset Credit Fund - £150.3 million
 - iii. Global Government Bond Fund - £243.2 million
 - iv. Global Credit Fund - £216.4 million
 - v. Global Opportunities Equity Fund - £530.4 million
 - vi. Global Growth Equity Fund - £211.6 million
 - vii. Emerging Markets Equity Fund - £115.0 million
- 7) The value of the Funds' assets held in WPP products now represents 63% of the total fund valuation of £2,690 million. If the Blackrock Low Carbon Tracker Fund holding is included, then the proportion increases to 86% of the Fund value.
- 8) The FCA have now approved the prospectus changes required to introduce a "Decarbonisation overlay" to the UK Equity fund and Link are expecting this overlay to be operational from 1st June 2022. The overlay will operate in a similar manner to the overlay that operates with the Global Opportunity and Emerging Markets sub-funds. The introduction of the overlay is expected to result in a 25% reduction in the Carbon intensity of this fund compared to its benchmark.
- 9) The WPP has continued to make progress in providing pooled options for non-listed Private Market asset classes. The March 2022 meeting of the WPP JGC confirmed the outcome of phase 1 of the Private Markets procurement process with the appointment of Allocators to a Private Credit Fund, a close-ended Infrastructure Fund and an open-ended Infrastructure Funds. With the open-ended fund to ensure its geographical diversification three managers have been selected. The procurement for Private Equity Allocators is continuing to make progress with a current target of reporting the outcome of the process to the September 2022 JGC meeting.
- 10) The March 2022 JGC meeting also considered a report on the JGC Scheme Member Representative. Following the request to individual Pension Board Chairs in December 2021 4 expressions of interest were received for the role of scheme member representative and deputy. All 4 nominations were interviewed in February 2022 by JCG sub-group interview panel. The panel recommended that Osian Richards from Gwynedd Pension Fund was appointed as the scheme member representative with Ian Guy from Swansea Pension Fund as the deputy. Both appointments have a tenure of two years.
- 11) WPP discussions with Russell Investments on a Sustainable Equity Fund have continued with more details being provided on the operation of the potential fund including a list of proposed investment managers. In common with the other Russell managed funds a diversified product would be offered to 5 investment managers offering a complimentary investment style being proposed. It is proposed that this Fund would have the same Global Equity benchmark as the Global opportunities and Global Growth sub-funds and would aim to deliver returns commensurate with these global equity funds but would have a strong focus on sustainability ESG outcomes. As a result of the restricted stock selection available to the sustainable equity investment managers a higher tracking error could result in a more volatile fund compared to the current WPP global equity funds. As this proposed sub-fund develops further reports will be taken to future Investment Advisory Panel meetings and then onto Pension Committee.

- 12) Over the last few months the Russian invasion of Ukraine has dominated the news. Following the invasion the statement below was quickly released by the WPP. It has also been included on the website of this Pension Fund.

We are deeply saddened by the situation in Ukraine and our thoughts are with the Ukrainian people.

Our total exposure to Russian Investments is minimal at less than 1%. Even so, in light of the terrible events we have witnessed and the economic sanctions imposed internationally, as a collective we have decided to divest from these holdings as soon as is practically possible.

Given the circumstances we do not believe that engagement with these companies presents a viable option.

Cllr Clive Lloyd

For and behalf of the Wales Pension Partnership and the LGPS in Wales

- 13) With regard to the detail of the fund's Russian investments BlackRock have confirmed that there are no holdings in the Low Carbon tracker Fund. With the Global Growth Equity Fund Baillie Gifford updated that as at 28 February 0.13% of the portfolio was held in Russian stocks and they would sell out from these holdings, which trade on the London Stock Exchange. Russell Investments have confirmed there were investments in 4 sub-funds, with this fund investing in all 4 of these, as detailed in the table below.

FUND	Dec 2021 valuation £m	Russian Exposure %	Russian Exposure £m
EM	121.1	0.38	0.460
Global Opportunities	537.7	0.07	0.376
Global Credit	231.4	0.41	0.949
MAC	156.2	0.45	0.703
total			2.488

- 14) The WPP Business Plan 2022-2025 was approved at the March 2022 meeting of the JGC and now needs to be approved individually by the eight constituent authorities of the WPP. A report on the WPP Business Plan was also taken to the April 2022 meeting of the Local Pension Board. A copy of the WPP Business Plan 2022-2025 is attached as Appendix 1. The areas covered by the business plan include :-

- Governance
- Risk Management
- Objectives
- Beliefs
- Policies
- Work plan
- Training Plan
- Budget

Legal Implications

- 15) The Wales Pension Partnership (WPP) was established in 2017. The WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. This report has been prepared to update the Committee on recent developments related to the WPP Investment Pool. The report also recommends that the Committee approves the WPP Business Plan 2022-25. The subject matter of the report (pension investment) is outside of the expertise of the in-house legal team to advise on. It is understood that to aid its consideration of matters the WPP have appointed a number of key advisors and service providers, including external legal advisors (Burges Salmon) .
- 16) In making any decision regard should be had to the following general legal advice.
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 2022-25.

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

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

Recommendations

- i. That the Committee notes the recent developments related to the WPP Investment Pool.
- ii. That the Committee approves the WPP Business Plan 2022-25

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendices:

Appendix 1 WPP Business Plan 2022-25

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Wales Pension Partnership Business Plan 2022-2025



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Introduction

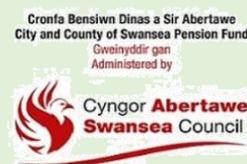
This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2022/23, 2023/24 and 2024/25. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

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

About the Wales Pension Partnership

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

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



Governance

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

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



Risk Management

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

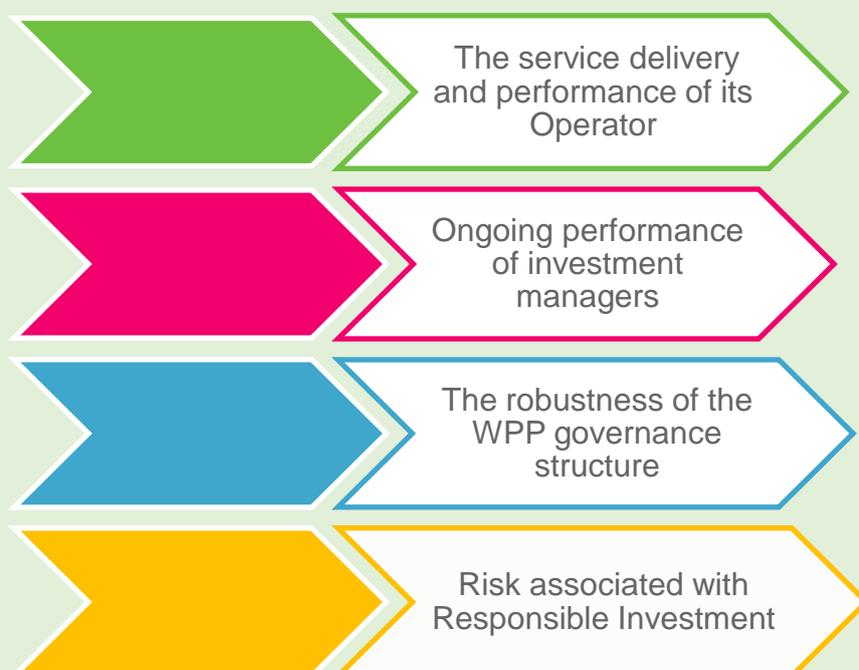
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

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

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

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

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



Objectives

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

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers

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

Beliefs

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

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

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

Policies

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



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



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

Work Plan

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

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled 73% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2022 - 2023	2023 - 2024	2024 - 2025
Governance			
Development of a WPP Whistleblowing Policy	✓		
Development of a WPP Business Continuity Plan (including Cyber)	✓		
Development of a WPP Complaints Policy	✓	✓	
Development of a WPP Breach and Errors Policy	✓	✓	
Ongoing review of Inter Authority Agreement	✓	✓	✓
Annual/biennial review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
Ongoing Sub-Fund development			
Appoint Private Market Allocators	✓	✓	
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch of Private Equity Sub-Fund	✓		

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

Training Plan

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

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

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

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

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

We have set out below a list of training topics which the Host Authority will arrange training for during the 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG'). Potentially there could be a number of member changes on the individual Pension Committees following the council elections in May 2022 and this has also been a factor in setting this year's training topics.

Product Knowledge

- o Private Market Asset Classes & the role of the Allocator
- o Active Sustainable Equities

Pool Knowledge

- o Governance and Administration
- o Roles and Responsibilities

Responsible Investment

- o What RI means for the WPP
- o Stewardship Code and TFCD Reporting

Market Understanding

- o Progress of other LGPS pools
- o Collaboration Opportunities

Budget

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

	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Host Authority *	191	196	200
External Advisors *	1,206	1,168	1,130
TOTAL to be recharged	1,397	1,364	1,330
Operator / Allocator Services **	33,319	36,651	40,316
TOTAL to be deducted from the NAV	33,319	36,651	40,316

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

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

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £21.6bn (as at 31 March 2021). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

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

Equity Sub-Funds



* Portfolio Values as at launch date

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

Fixed Income Sub-Funds



* Portfolio Values as at launch date

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

Contact Details

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

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Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

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E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

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

The website can be found here:

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





PENSIONS COMMITTEE: 27 JUNE 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM : 8

PENSION FUND RISK REGISTER

Reason for this Report

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

Background

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

Issues

3. The Risk Register is regularly reviewed by Fund officers and is also presented to the Local Pension Board for their review. The Risk Register was considered by the Pension Board at its meeting on 29 April 2022. A number of incremental changes were proposed to the Register presented to the Board at that meeting and the report is attached as Appendix 1 to ensure visibility of these changes.
4. Following its review of the Register the Board recommended the following additional changes :-
 - P2 : Additional comment added to refer to implications of Russian invasion of Ukraine on the Fund investments
 - P17 : Residual Risk increased to B2 to reflect the view that the potential impact has increased to Significant
 - P20 : Residual Risk increased to C2 to reflect difficulties experienced to date with the recruitment of new staff.

The current Risk Register including the above amendments is attached as Appendix 2 with the standard Risk Matrix used for the Corporate Risk Register attached as Appendix 3.

Legal Implications

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

The general legal advice set out below should 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 2022-245

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

account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

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

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

Financial Implications

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

Recommendations

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

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendices:

Appendix 1 April 2022 Pension Board Risk Register Report
Appendix 2 Risk Register May 2022
Appendix 3 Risk Matrix

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CARDIFF & VALE OF GLAMORGAN PENSION FUND

LOCAL PENSION BOARD MEETING:

29 APRIL 2022

RISK REGISTER APRIL 2022

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6

Reason for this Report

1. To review the current Risk Register for the Pension Fund before it is submitted to the Pension Committee.

Background

2. A Risk Register for the Pension Fund is maintained as part of the Council's Corporate Risk Management process. A review of the Register is a regular item for consideration at Board meetings before it is considered by the Pension Committee.

Issues

3. The Risk Register was previously presented to the meeting of the Local Pension Board and the Pension Committee held on 18 January 2022. In advance of this meeting Pension Fund Officers have reviewed the Risk Register and significant changes are referenced in the paragraphs that follow in this report. The current Risk Register is attached as Appendix 1 and the standard Risk Matrix is attached as Appendix 2.
4. Typically the quarter review of the Risk Register had focused on the incremental changes from the previous quarters risk register but in addition the Local Pension Board has requested that a detailed, "line by line" review of the Risk Register is undertaken on an bi-annual basis.

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5. For this review the Board asked for in-depth reviews of the Cyber Security Risk (P17) and Resource Implications (P20). Cyber Security is the focus of a separate presentation for today's agenda and the Board may need to consider amendments to this risk following that presentation. The Resource Implications for the Pension Section will be considered in the Administration Update paper as well as the Business Plan for the Fund. Again the Board will need to consider whether any amendments are required for the Resource Implications Risk in light of information presented in the Administration Update and Business Plan reports.
6. With regard to the more usual Business as Usual incremental changes the following changes are included in the attached Risk Register
 - P1 : The target date has been amended to 31/03/23 as this is the deadline for the completion of the 31 March 2022 tri-annual valuation.
 - P2 : Proposed Improvement Actions has been updated to reflect the fact that all the Fund's listed active assets are now invested in WPP sub-funds and monitoring and review of these funds is now part of the Investment Panel report cycle..
 - P3 : Proposed Improvement Actions has been updated to reflect a similar comment with investment in the WPP sub-funds bring the benefits of diversification. It also acknowledges the role of the WPP JGC & OWG quarterly meetings in performance monitoring.
 - P4 : WPP diversification benefits are again emphasised for this risk in the Proposed Improvement Actions.
 - P5 : Training focus for new members of the Pension Committee and return of officers to in-person Conferences highlighted in the Proposed improvement Actions.
 - P9 : Completion of MSS roll-out to Active Members included in Proposed Improvement Actions.
 - P10 : Approval of revised FSS to incorporate new Employer Flexibilities included in Proposed Improvement Actions.
 - P19 : Proposed Improvement Action includes reference to a provision for external advice which could include support for implementing McCloud.
 - P20 : Proposed improvement Actions provides an update on the recent recruitment process.
 - P21 : Proposed Improvement Actions include update on recent developments with progress in introducing a WPP Sustainable Equity Fund highlighted.
7. The next meeting of the Pension Board is the joint meeting with the Pension Committee scheduled for 11th July. At that meeting a report bringing together recent developments for the Fund in Responsible Investment (RI) and Climate Change initiatives is proposed. It is therefore suggested that Risk P21 is the subject of the risk register "deep-dive" for that meeting. The Pension Board is asked to consider whether it would also like any further risks to be considered at that meeting or whether the breath of RI / climate Change is sufficient for that meeting's consideration of the Risk Register ?

Recommendation

8. That the Board reviews the Risk Register and considers the risks it would like to be covered in depth at the next meeting.

**CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES**

Appendices

Appendix 1 Risk Register April 2022

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				
Pensions										
P1	That the Pension Fund's investment strategy is not managed with reference to the long-term growth in the Fund's liabilities	B	High - Red	<p>Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contributions are set in response to this. An asset-liability study may be commissioned if there is evidence of a clear shift in the balance between assets and liabilities.</p> <p>The Investment Panel considers whether any changes are required to strategic asset allocation. The investment strategy is summarised in the Investment Strategy Statement</p> <p>The liabilities of admitted bodies are monitored to ensure that large deficits do not accrue, which would be unaffordable should the employer leave the Fund</p>	C	Medium - Red / Amber	Continuing engagement with Fund actuaries to understand impact of financial and demographic factors on the Fund's liabilities.	31-Mar-23	Marc Falconer	
P2	Inadequate medium term performance from selecting inappropriate fund managers or asset allocation	B	High - Red	<p>Although the Fund remains responsible for setting its own investment strategy it is increasingly using Wales Pension Partnership (WPP) products to deliver its strategy as all listed fund assets have now transitioned to WPP. For the WPP both Link and Russell have been appointed through open tender and management agreements for the specific funds include clear performance targets. The procurement of Private Market Allocator(s) has commenced. Manager performance is reviewed by both this funds Investment Advisory Panel and the WPP OWG and JGC.</p> <p>The Investment Panel advise target ranges for strategic asset allocations.</p> <p>Although the Fund's main objective is long-term growth, the diversification provided by adopting a range of asset classes and fund managers should help to mitigate the impact of poor performance from any particular account or sub-manager.</p>	C	Medium - Red / Amber	<p>Maintain relationships with managers both directly appointed by the Fund and WPP Funds, going forward periods of transition activity into the WPP pool will be limited to Private Market Assets. Consolidation of WPP Funds have now been consolidated into the regular Investment Panel review cycle with both Russell and Link FS presenting to the Panel during the second half of 2021.</p> <p>Continue to review any impacts of Brexit especially any that will have a long term impact on the investment performance of the Fund.</p> <p>Monitor any impacts on the Fund following the Russian invasion of Ukraine in Feb 2022 and the subsequent decision to dis-invest in Russian stocks</p>	Ongoing	Marc Falconer	
P3	Additional risks and costs to the Fund from poorly structured investment arrangements including with WPP sub-funds	B	Medium - Red / Amber	<p>The Fund attempts to ensure best value in the following ways:</p> <ul style="list-style-type: none"> 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	Medium - Amber / Green	<p>All listed Assets now invested in WPP sub-funds bringing the benefits of diversification with a multi-manager approach across the board compared to the Fund's legacy assets single manager approach.</p> <p>Monitoring and review processes for assets managed by WPP now incorporated into the regular Investment Panel meetings as well as being standard items on the agenda for the quarterly WPP JGC and OWG meetings.</p>	Ongoing	Marc Falconer	
P4	Collapse of an Investment Manager involving our portfolio	C	Medium - Red / Amber	<ul style="list-style-type: none"> All listed Assets are now managed by WPP so the Fund, will consider the due diligence activity undertaken by Link and Russell on behalf of WPP. 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	Medium - Amber / Green	<p>The Pool Operator is regulated by FCA and the Pool Custodian will ensure segregation of assets. Consideration to be given for the custodian role to be extended to cover Property and Private Equity assets</p> <p>The diversification benefits of the multi-manager approach adopted by WPP Funds has been highlighted in P3 e.g WPP EM Fund has 6 sub-managers operating under Russell whereas the legacy fund was a single manager.</p>	Ongoing	Marc Falconer	
P5	MIFID II leads to restrictions on the investment products available to the Fund	A	High - Red	<p>Collaboration with investment managers, the Pool Operator, other LGPS funds and the LGA to ensure that the Fund is classified as a Professional Investor by all its managers and the Pool.</p>	C	Medium - Amber / Green	<p>Training will be the subject of renew attention when the composition of the Pension Committee is confirmed following the May 2022 elections. Focus will be across the board with consideration on provision of training to Officers, Committee and board members as appropriate.</p> <p>Quarterly training provided by WPP is now well integrated into training resources available. Appropriate Training Records to be maintained Officers have returned to in-person conferences</p>	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	High - Red	<p>Attendance at working group meetings and conference calls to ensure Cardiff's views are taken account of. Reporting of WPP progress to Pension Committee, Investment Panel and Local Pension Board.</p>	C	Medium - Red / Amber	<p>Continuing engagement and scrutiny of detailed plans for pool structures and transition timetables. Monitoring of pooled investments and engagement with the pool operator.</p>	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	High - Red	<p>The Fund's Custodian provides assurance on the accuracy of investment records (except for property and private equity). Records of benefits paid, contributions received and other expenses are held on SAP. The Group Accountant liaises with external audit and manages the closure process.</p>	C	Low - Green	<p>Regular meetings during the financial year between Accountancy and pensions staff to ensure any issues are identified and resolved before year end.</p>	Ongoing	Marc Falconer	
P8	Failure to adhere to LGPS Regulations	B	High - Red	<ul style="list-style-type: none"> Investment regulations are considered when setting the ISS Senior Technical Officer undertakes Altair system checks to ensure compliance with LGPS regulations Team leaders/supervisors, ensure legislative accuracy of calculations Network Groups (Altair/Communications/All wales Pensions Officer Group) Comms & Training Officer – responsible for the update of website and online guides. Inform employers of any changes in regulations. 	C	Medium - Red / Amber	<p>Engagement with Local Pension Board to develop reporting processes</p>	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	
P9	Failure to communicate with stakeholders	B	Medium - Red / Amber	<ul style="list-style-type: none"> 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	Low - Green	<p>Maintain and update Fund website</p> <p>Completed roll-out of member self service facilities for Active Members. Roll-out of MSS to Deferred Members to be considered.</p> <p>Engagement with employers through site visits and promotion of Employers' Forum.</p> <p>Seek regular approval of the Pension Administration Strategy and Communication Policy</p>	Ongoing	Marc Falconer / Karen O'Donoghue-Harris	

P10	Withdrawal/default of an employer	B	2	High - Red	<ul style="list-style-type: none"> Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. Actuarial valuation aims to balance recovery period with risk of withdrawal Applications for admission to the Fund are considered carefully and guarantees put in place if required 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> 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 Updated FSS now includes drafting to permit the use of Deferred Debt arrangements and other Employer Flexibilities where exit from Pension Fund is being considered. 	Ongoing	Marc Falconer	
P11	Timeliness and accuracy of pension payments including risks arising from maintaining two separate data recording systems	B	2	High - Red	<ul style="list-style-type: none"> Monthly Pensions are paid by the Council's Pay Centre Payroll deadline procedures in place Authorisation of benefits following calculations Additional checks by Payroll Review of all payroll amendments Ensure all new monthly pension starter listings match amounts on Altair Run monthly SPA reports When someone hits SPA, update Altair and Payroll with GMP details 	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> Review configuration of systems Recommend purchasing Altair Payroll to replace SAP 	Ongoing	Karen O'Donoghue-Harris	
P12	Pensions continue to be paid to deceased pensioners	B	2	High - Red	<ul style="list-style-type: none"> Monthly ATMOS reviews and Tell Us Once data exchanges match pensioner details with national deaths register Pensioners incorporated into National Fraud Initiative Annual life certificates required from pensioners living overseas Tell Us Once database is being updated monthly via the LGPS NI database. Further targeted checks with credit reference agencies as appropriate 	D	4	Low - Green	<ul style="list-style-type: none"> Keep current controls under review and adapt or change as required. 	Ongoing	Karen O'Donoghue-Harris	
P13	Membership data is not recorded accurately	A	2	High - Red	<ul style="list-style-type: none"> Senior Officers liaise closely with employers to ensure timely and accurate submission of data i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis Data accuracy checks undertaken by the pension section Data validation checks also undertaken by the Fund Actuary at the triennial valuation. 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Two remaining employers to go live on i-connect 	Ongoing	Karen O'Donoghue-Harris	
P14	Breach of GDPR legislation	A	1	High - Red	<ul style="list-style-type: none"> 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 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Monitoring and supervision of staff, regular communications to Fund employers Updated MoU to be sent to employers 	Ongoing	Karen O'Donoghue-Harris	
P15	Failure to complete GMP Reconciliation resulting in inaccurate payments to pensioners	A	2	High - Red	<ul style="list-style-type: none"> Regular update meetings with JLT Prompt resolution of cases referred back to Fund Fund decision made on stalemate cases Agreed Action Plan in place Critical task and times agreed Target end date 	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> closely monitor the key tasks that need to be completed As any GMP adjustments are implemented, ensure there is a reconciliation between Altair and SAP Mercer have provided a draft Project Plan and as a combined group, taking into account the actions that are required it has been decided to complete the actual rectification calculations following the April 2022 Pensions Increase (because there is not sufficient time between now and March 2022 to complete all the tasks without introducing a higher risk. 	31-Jul-22	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"> Member Self-Service will allow Active Members to update records and improve compliance. 	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> MSS used to enhance the service provided to Scheme members MSS used to upload statements ensuring higher compliance levels Savings on printing and postage costs 	Ongoing	Karen O'Donoghue-Harris	
P17	Cyber security	A	1	High - Red	<ul style="list-style-type: none"> Access to all systems is password protected, additional password protection for access to Altair All Staff have completed mandatory modules on cyber security 	B	2	High - Red	<ul style="list-style-type: none"> continue to follow advice from ICT and update procedures as required Staff continue to complete relevant new e-learning modules as well as considering relevant information from external organisations such as TPR. 	Ongoing	Karen O'Donoghue-Harris	
P18	Exit Payment Cap	C	3	Medium - Amber / Green	<ul style="list-style-type: none"> Warning will kept on costs estimates for Employers that these are provided under existing regulations and could be subject to change 	C	4	Low - Green	<ul style="list-style-type: none"> If new regulations are tabled consideration will be given at that time to appropriate controls 	Ongoing	Karen O'Donoghue-Harris	
P19	McCloud - huge administrative burden, failure to have correct resources to deal with the additional work	B	2	High - Red	<ul style="list-style-type: none"> Employers warned at Employer forum that they will be required to supply missing data ADN commissioned to run reports to identify affected members LGA templates used to upload missing data Templates issued to all employers Deadline set for return of data 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Use third party to assist with project management with external advice provision now included in Business Plan. New staffing structure approval and recruitment process underway continue chase missing data from some of smaller employers Data starting to be uploaded 	Ongoing	Karen O'Donoghue-Harris	
P20	Resource Implications - Pension Section has insufficient resources to respond to the multiple workload pressures facing the section e.g. McCloud, Exit Cap, Dashboards, etc. and recruitment and retention of staff	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> Scenario planning to be incorporated into 21/22 Business Plan to consider mix of additional resources required in particular what activities would require additional internal resources and what activities would be undertaken by external parties. Use of external resources to provide additional short term capacity 	C	2	Medium - Red / Amber	<ul style="list-style-type: none"> continual monitoring of Pension section workload and updates to resource planning including business plan and budgets. recruitment process for 6 additional staff has commenced with 2 senior offices appointed in November 21 and the remaining 4 post being advertised in April/May 22 after an unsuccessful recruitment to fill all posts in December 21. 	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"> Publication of a Responsible Investment policy and Climate Risk Policy both for the Fund and the WPP Transfer of funds to BlackRock Low Carbon Tracker Fund 	B	3	Medium - Red / Amber	<ul style="list-style-type: none"> continued evolution of WPP sub-funds that allows climate risk and other ESG factors to be managed e.g. proposals to introduce a de-carbonisation overlay to UK Opportunities Fund. Development of WPP Sustainable equity sub-fund Continued engagement and challenge to Investment Managers, especially via WPP, on how they manage climate and ESG risks reporting of suitable climate change and ESG metrics continued training focus including with the WPP Voting and Engagement provider 	Ongoing	Marc Falconer	

Risk Matrix and Definitions

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

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

LIKELIHOOD

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

IMPACT

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

Description

A Very Likely 75% + chance of occurrence Expected to occur in m
Circumstances and nea

- B
- C
- D
- E

ir misses frequently encountered (e.g. daily / weekly /monthly / quarterly)

**CARDIFF COUNCIL
CYNGOR CAERDYDD**



PENSIONS COMMITTEE: 27 JUNE 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM : 9

BUSINESS PLAN FOR 2022/23

Reason for this Report

1. To present to the Committee the Fund's Business Plan for 2022/23.

Background

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

Business Plan

3. A copy of the 2022/23 Business Plan is attached as Appendix 1. The Business Plan was presented to the 29 April 2022 meeting of the Local Pension Board for review. The purpose of the Business Plan is to set out the key action points for the administration of the Fund over the next financial year in the context of the Fund's goals and objectives over the longer term. The Plan also includes membership statistics for the current and previous three years.
4. The Plan outlines the key work priorities for the Fund over the next twelve months as well as the achievements over the last financial year.
5. The Plan includes a summary budget for 2022/23, 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.

Legal Implications

6. Various legislation, regulation, and government guidance impose obligations on administering authorities in relation to the administration of the LGPS, including in relation to requirements to prepare and maintain prescribed strategy statements. The recommendations refer to the fund’s Business Plan for 2022/23 and approval of the same is being sought from the Committee. The Business Plan is a technical document/and or contains technical objectives/priorities for the fund in the forthcoming year. These may require expert advice which may be outside the expertise of the in house Legal Service. The Committee should ensure that it has full and proper advice on such matters before proceeding to make a decision. It is understood by Legal Services that the service area has taken assistance and advice from appropriate external advisors before presenting the recommendations for approval.

General Legal Advice

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

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

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

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

the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2022-25 : <https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Pages/Corporate-Plan.aspx>

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

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

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

Financial Implications

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

Recommendations

8. That the Committee approve the Business Plan for 2022/23.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendices:

Appendix 1 – Business Plan 2022-23

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Business Plan 2021/22



Cardiff & Vale of Glamorgan
Pension Fund



Introduction

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

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

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

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

The purpose of this document is to set out a business plan for the Fund for the 2022/23 financial year in the context of the Fund's goals and objectives over the longer term.

Fund Objectives

The principle aim of the Fund is to provide pensions, effectively and efficiently, at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need for prudence and caution in considering the future liability profile of the Fund.

The Fund also aims:

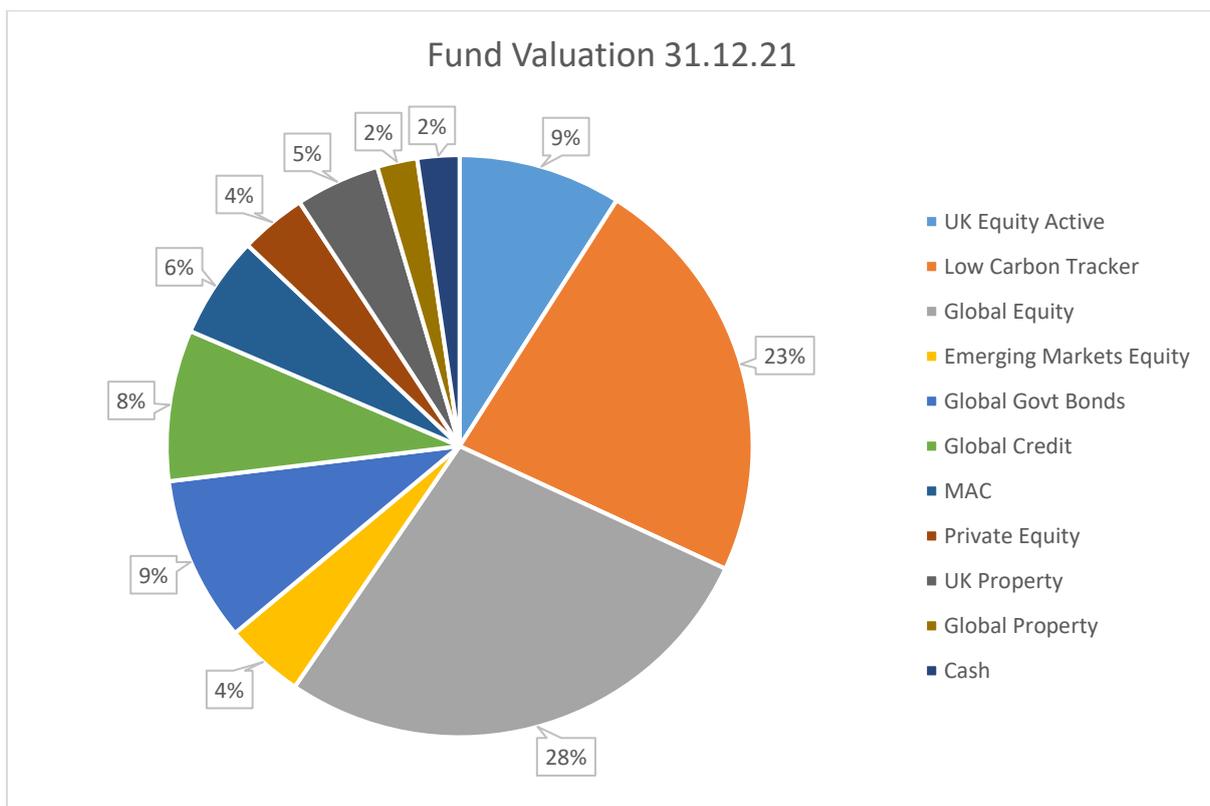
- To continue to improve the administrative capability of the Fund's administration and investment services
- To improve performance in meeting set targets within pension administration
- To consider proactively the increased use of new technology and electronic communications
- To monitor regularly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

account of social, environmental and governance concerns and issues. It recognises the concerns of the Council and other stakeholders regarding climate change and has and will continue to develop its investment strategy in response to those concerns

Fund Statistics

The Fund was valued at **£2,757 million** as at 31 December 2021.

The Asset Allocation of the Fund as at 31 December 2021 was:



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

	31/03/2019	31/3/2020	31/03/2021	31/03/2022
Contributors	16,193	17,699	16,936	16,876
Pensioners	11,554	11,945	12,190	12,515
Deferred pensioners	13,040	13,608	13,755	17,430
Total membership	40,787	43,252	42,881	46,821

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

	2018/19 (actual) £000s	2019/20 (actual) £000s	2020/21 (actual) £000s	2021/22 (projected) £000s
Contributions Received	-91,219	-98,297	-91,058	-100,062
Retirement Pensions	65,790	70,038	71,463	72,694
Retirement Lump Sums	15,351	16,183	10,528	12,004
Death Grants	2,783	2,983	2,413	2,740
Refunded Contributions	188	274	86	135
Net Transfers (Transfers paid less transfers received)	-4,423	-2,243	307	453
Net Expenditure (Income)	-11,530	-11,062	-6,261	

Volumes of key tasks in the current and previous 3 financial years:

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

Achievements 2021-22

In addition to processing higher volumes in most key task areas than in the previous year, as illustrated in the table above, during 2021/22 the Pensions Section:

- Delivered Annual Benefit Statements to 97.9% of active and 83.9% of deferred members by the deadline of 31 August 2021
- Due to the on-going COVID-19 pandemic, adapted working patterns to ensure continuation of the service to scheme members and participating remained employers
- Further work with ICT has continued during 2021/22 to support hybrid working e.g. the Pension section was the first area of the Council to introduce “soft” phones to allow phone calls to be accessed via staff laptops
- Continued to encourage the use of electronic communication with a significant increase in correspondence using this channel
- Continued to prioritised workloads in line with TPR’s COVID-19 guidance
- Ensured any Fund decisions that needed to be made regarding GMP reconciliation, were submitted on time to Mercer (JLT), to meet HMRC deadlines for final data cuts

- The roll-out to all Active Members, with Employers using i-connect, was completed in 2021/22, giving these Active members pension access 24/7 every day of the year.
- Contact with Employers and Stakeholders was maintained via MS Teams, with meetings of Pension Committee, Pension Board, Investment Panel and Employer Forum continuing as normal
- The Fund signed up to the Pledge to combat Pension Scams which shows the Fund's intent to protect our members. It tells our members and the pensions industry that we are committed to stopping scammers in their tracks
- The original Aon Over/Under Payment Project has been completed. However, in terms of progress, the scope was extended to bring in smaller values with a discrepancy of between £2 to £5 per month. This resulted in additional cases which has also now been completed
- Staffing – the recruitment process to fill the new posts in the Pension Team has commenced and will include a number of phases. Two members of staff were recruited from the first phase of interviews. As the successful applicants were from within the Pensions Team interviews to backfill these posts have been arranged. The remaining senior roles have been readvertised so the recruitment process is still ongoing
- Following the retirement of their last active member the National Trust exited the Fund in September 2021
- A number of new organisation joined the Fund as Admitted Bodies mainly as a result of small outsourcing contracts in Cardiff and the Vale of Glamorgan.
- During July 2021 the Fund completed the transition of its existing regional assets to the WPP Global Growth and Global Opportunities Equity Funds. At the same time a further investment of circa 10% of Fund Value was made into the BlackRock Low Carbon Global Equity Fund by reducing the Fund's passive UK Equity holding. The combined value of the transitions undertaken in July 2021 was c£1 billion
- The transition to the WPP Emerging Markets Equity Fund was completed in October 2021 with a value of £125 million
- All of the Fund's listed assets are now either in WPP sub-funds or the pooled procurement passive equity fund provided by BlackRock
- In March 2022 the WPP was notified that it had been successful in becoming a signatory to the FCA Stewardship code

Work Priorities 2022-23

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

Investments and the Wales Pensions Partnership

The review of 2021/22 highlighted the extent of the switch of the Fund's assets into WPP sub-funds and this process has now been completed for this Fund's active equity and fixed income assets.

The attention of the WPP has now turned to unlisted asset classes. The procurement process for Phase 1 of this process has now been completed with allocators chosen for Private Debt and closed ended Infrastructure Funds and managers appointed for open-ended Infrastructure Funds. The next asset class to be considered will be Private Equity where the September 2022 meeting of the WPP JGC is the target for completing the procurement for an allocator for this asset class. This will leave

Property as the remaining asset class for the WPP to develop investment opportunities for its constituent authorities.

In discussions with Russell Investments the WPP have started to consider the attributes required for a Sustainable Active Equity Fund. As this process develops further reports will be presented to WPP OWG and JGC meetings.

Fund Officers and Members will continue to further develop proposals for responsible investment in response to concerns about climate change risk and other environmental, social and governance (ESG) issues raised by the Fund's stakeholders.

Triennial Valuation

The next independent actuarial valuation, as at 31 March 2022 will commence during 2022/23. The valuation, which is undertaken every 3 years reviews the Fund's assets and liabilities and will be used to determine the rate of employer contributions for the three financial years commencing in 2023/24.

In line with the Fund's principal objectives, the aim of the valuation will be to set contribution rates which balance the obligations of the administering authority to ensure the long term solvency of the Fund with the aim to reduce or at least minimise fluctuations in Employers contributions over the medium term.

Work to date has concentrated on clearing as many data queries as possible from the interim valuation, ready for the submission of data at the end of July 2022. The target for reporting the initial results of the valuation will be the November 2022 Pensions Committee meeting followed by the Employers Forum.

Communications & Training

During 2021 the amount of training increased to pre pandemic levels, but still remained online. Feedback indicates the Pension Team and Board members, are happy with the majority of training. However, it does not replace the face to face training where it is easier to ask questions and have discussions with other attendees. Some training sessions are very long, with 5-6 hours of training, which makes it difficult to maintain the same level of focus. Some face to face training has been booked for 2022-23, but the majority remains online currently.

Objectives for 2022/23 include:

- Develop personal training plans for each member of the Team and encourage working towards recognised qualifications where appropriate
- Encourage Pension Board members to attend all relevant training courses throughout the year to help increase and maintain pension knowledge
- Restart a programme of regular visits and training to all Fund Employers as soon as possible
- Hopefully we will restart face to face Employer and Trade Union Forum annual meeting this year, which we hope will increase attendance and participation by all stakeholders

Digitalisation

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

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

Reconciliation of Contracted out Liabilities

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

McCloud

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

Reminders have been sent to those employers who have not yet returned their data. Initial activity in 2022/23 has concentrated on uploading data for smaller employers which needs to be done manually in order to ensure previous data where adjustments have been made due to the nature of employment is not overwritten.

Resources

Following the review of additional workloads undertaken during 2021/22 a requirement for 6 additional posts was identified and progress in filling these posts was outlined in the 2021/22 Achievements section. The on-going nature of the recruitment process was highlighted with a second round for the recruitment process to commence during April 2022. In light of the difficulties encountered in recruiting a provision of £250,000 for the use of external resources has also been included in this Business Plan. This will be used, if required, to support some of the work priorities identified for 2022/23 but also to assist internal resources in meeting future challenges to the Pension Fund

including McCloud, Pension Dashboards, the Single Code of Practice, the Good Governance review and TCFD reporting requirements.

Key Performance Indicators

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

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

Fund Budget for 2022/23

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

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

2022/23 will see the completion of the March 2022 Valuation which may result in proposed changes to the Funds Investment Strategy and Asset Allocation. Any changes proposed will be subject to confirmation using the established governance processes for the Fund.

		£000	£000
CONTRIBUTIONS AND BENEFITS			
Income:	Contributions Receivable		
	<i>Employers</i>	(72,400)	
	<i>Employees</i>	(22,000)	
			(94,400)
Expenditure:	Benefits Payable		
	<i>Pensions</i>	72,700	
	<i>Lump Sums</i>	20,100	
			92,800
	Administration Expenses		
	<i>Staff Costs</i>	850	
	<i>Other Costs</i>	500	
	<i>Third Party Advice</i>	250	
			1,600
INVESTMENTS			
Income:	Investment Income	(15,000)	
	Change in Market Value of Investments	(103,400)	
			(118,400)
Expenditure:	Manager Fees	7,300	
	Custody & Other Costs	200	
			12,370
GOVERNANCE			
Expenditure:	Pension Committee & Panel	60	
	Local Pension Board	30	
	Wales Pension Partnership	170	
	Staff Costs (non-admin)	110	
	Accountancy & Internal Audit	100	
	External Audit Fee	40	
			510
NET SURPLUS			(110,390)
TOTAL ASSETS	31/12/2021		2,757,000
	Projected 31/03/2023		2,867,390

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CARDIFF COUNCIL CYNGOR CAERDYDD



PENSIONS COMMITTEE: 27 JUNE 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10

PENSION FUND ADMINISTRATION STRATEGY

Reason for this Report

1. To review the Administration Strategy for the Pension Fund.

Background

2. Regulation 59 of the LGPS Regulations 2013 states that Administering Authorities may prepare and publish an Administration Strategy. The Pension Regulator had recommended that the Cardiff and Vale of Glamorgan Pension Fund implement an Administration Strategy.
3. The Fund's Administration Strategy was approved by the Pension Committee at its meeting on 8 February 2021.

Issues

4. The objective of the Administration Strategy is to formulate the administrative arrangements between the Cardiff and Vale of Glamorgan Pension Fund (the administering authority) and the participating employing authorities (the employers). The Strategy should clearly define the roles and responsibilities of the Pension Fund and the Employing Authorities. In preparing (or reviewing and making revisions to) its Strategy, an Administering Authority must consult its Scheme employers and such other persons as it considers appropriate.
5. The Strategy includes :-
 - Procedures for liaison and communication between the administering authority and the employers.
 - The establishment and agreement of levels of performance which the administering authority and the employers are expected to achieve in carrying out their respective Local Government Pension Scheme (LGPS) functions. Performance data will be published.
 - Procedures to secure compliance with statutory requirements for those functions
6. The Administration Strategy must be reviewed on at least an annual basis. If revisions to the Fund's Administration Strategy are proposed then the Fund must consult with its employing authorities and with the Local Pension Board. The Administration Strategy was

considered by the Local Pension Board at its meeting on 29 April 2022 and no changes were proposed.

7. The Administration Strategy for the Fund is attached as Appendix 1 with the strategy also being published on the Fund's website

Legal Implications

8. Various legislation, regulation, and government guidance impose obligations on administering authorities in relation to the administration of the LGPS, including in relation to requirements to prepare and maintain prescribed strategy statements.
9. The recommendations refer to the fund's Pension Administration Strategy and seeks approval of the same. Pursuant to Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended) ("the LGPS Regulations") an administering authority may prepare a pension administration strategy in relation to such of the matters mentioned therein. Where it does prepare such an administration strategy regulation 59 also specifies what actions are then required of the administering authority in relation to the said administration strategy. If required, further advice may be sought in relation to discharging obligations or carrying out functions under the LGPS Regulations.
10. Regulation 59 of the LGPS Regulations is set out in Appendix 2 to the report.
11. 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 2022-25 : <https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Pages/Corporate-Plan.aspx>

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

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

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

Financial Implications

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

Recommendations

13. That the Committee approves that no changes are required to the Fund's current Administration Strategy.

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

Appendices

Appendix 1 Administration Strategy

Appendix 2 Regulation 59 of the LGPS Regulations 2013 Pension Administration Strategy

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Cardiff & Vale of Glamorgan
Pension Fund



PENSION ADMINISTRATION STRATEGY

Pension Administration Strategy

Introduction

The Pensions Administration Strategy compliments the efficient operation of the Cardiff and Vale of Glamorgan Pension Fund on the behalf of its Employing Authorities and the Administering Authority; Cardiff Council.

The objective of the strategy is to clearly define the roles and responsibilities of the Cardiff and Vale of Glamorgan Pension Fund and the Employing Authorities under the Local Government Pension Scheme (LGPS) Regulations.

These regulatory requirements are detailed below:

The Regulations

In accordance with regulation 59 of the Local Government Pension Scheme Regulations 2013:

1. An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ('its pension administration strategy') and, where it does so, paragraphs (3) to (7) apply.
2. The matters are;
 - (a) procedures for liaison and communication with employing authorities in relation to which it is the administering authority ('its employing authorities');
 - (b) the establishment of levels of performance which the administering authority and its employing authorities are expected to achieve in carrying out their Scheme functions by:
 - setting performance targets
 - making agreements about levels of performance and associated matters
 - or other means as the administering authority considers appropriate;
 - (c) procedures to secure the administering authority and its employing authorities comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
 - (d) procedures for improving communication of related information between the administering authority and all employing authorities

- (e) circumstances when the administering authority may consider giving written notice to any of its employing authorities under regulation 70 on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) administering authority will publish performance data in its annual reports dealing with;
- (g) and such other matters as appear to the administering authority, after consulting its employing authorities and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

3. An administering authority must:

- keep its pension administration strategy under review and as a minimum update annually
- make revisions as appropriate, following a material change in its policies in relation to any of the matters contained in the strategy
- these will be considered by the Pension Board and Committee

4. In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employing authorities and such other persons as it considers appropriate.

5. An administering authority must publish:

- its pension administration strategy;
- and where revisions are made to it, the revised strategy

6. When an administering authority publishes its pension administration strategy, or that strategy is revised, it must send a copy of it to each of its employing authorities and to the Secretary of State.

7. An administering authority and its employing authorities must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

8. In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

The Administration Strategy

This strategy formulates the administrative arrangements between the Cardiff and Vale of Glamorgan Pension Fund and the participating Employing Authorities. With the introduction of this framework, the aim is to enhance the flow of data by having clear channels of communication in place, so each authority is fully aware of its role and responsibilities within this process, as outlined by the LGPS provisions.

The relevant procedures are outlined as follows.

Procedures for liaison and communication with Employing Authorities

- The employer will nominate a person to act as the 'Employer Representative' and the Cardiff and Vale of Glamorgan Pension Fund's primary contact. The employer will notify the Cardiff and Vale of Glamorgan Pension Fund who that person is and ensure that any changes are sent to Cardiff and Vale of Glamorgan Pension Fund immediately.
- The Cardiff and Vale of Glamorgan Pension Fund employs a multi-channel approach in liaising and communicating with employing authorities to ensure that all requirements are consistently met.
- The various channels of communication employed by the Fund include:
 - The Cardiff and Vale of Glamorgan Pension Fund website; which includes a specific section for each stakeholder and the Fund's employing authorities.
 - Periodic newsletters; which are issued to all scheme members and all employing authorities. The newsletter is published via the My Cardiff and Vale Pension online service and delivered directly to each non-user's home address, as well as being published on the Cardiff and Vale of Glamorgan Pension Fund website.
 - Email updates; sent directly to employer representatives to provide notification of any scheme / administrative developments.
 - Employer updates seminars and training groups; held when required to review scheme developments or to resolve any training needs.
 - An Annual Employer Forum; held to review the investment and administrative issues that the Cardiff and Vale of Glamorgan Pension Fund has experienced during the preceding 12 months, and also to look forward at the challenges that lie ahead for the next 12 months.
 - Employer representatives distribute information supplied by the Cardiff and Vale of Glamorgan Pension Fund to scheme members within their organisation i.e. scheme guides, factsheets etc.
 - An annual report; issued by the Cardiff and Vale of Glamorgan Pension Fund to illustrate the extent to which the Fund and Employing Authorities have achieved the levels of performance established under this strategy and such other matters arising from the pension administration strategy as considered appropriate.

Levels of performance

The Cardiff and Vale of Glamorgan Pension Fund and participating Employing Authorities will have regard to the Pension Administration Strategy when carrying out their respective functions.

Levels of performance for Employing Authorities

The employer must supply notifications (or approved alternatives) to Cardiff and Vale of Glamorgan Pension Fund as follows:

- **New Starters** - within **1 month** of the employee joining the scheme
- **Changes in Member Circumstances** - within **1 month** of the event
- **Early Leavers** - within **1 month** of the employee leaving the scheme
- **Retirement Notifications** - must be received at least **4 weeks** before the last day of employment
- **Death in Service** - within **1 week** of the death of the member

Employers will supply all new employees eligible to join the Local Government Pension Scheme with a copy of the employees' brochure to the pension scheme within **2 months** of becoming employed.

The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 require that for retirements before Normal Pension Age (NPA), the member must receive their benefits no later than two months after retirement and for retirements after Normal Pension Age (NPA), no later than one month after the date of retirement.

Employers will provide the Cardiff and Vale of Glamorgan Pension Fund with a year-end data return as at 31 March each year in an approved format no later than **30 April** of that year or the next working day.

The employer will ensure that member and employer contributions are deducted at the correct rate, including contributions due on leave of absence with reduced or no pay, maternity leave and any additional contributions the Cardiff and Vale of Glamorgan Pension Fund request the employer to collect.

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for publishing its policy in respect of the key discretions as required by the regulations to its employees and to the administering authority. The Cardiff and Vale of Glamorgan Pension Fund is **NOT** responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests with the employer.

Any over-payment resulting from inaccurate information supplied by the employer shall be recovered from the employer.

In the event of the Cardiff and Vale of Glamorgan Pension Fund being levied by The Pensions Regulator, the charge will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above), cause the levy.

Under the GDPR Data Protection Act 2018, the employer will protect from improper disclosure any information about a member contained (where applicable) on any item sent from the Cardiff and Vale of Glamorgan Pension Fund. It will also only use information supplied or made available by the Cardiff and Vale of Glamorgan Pension Fund for the operation of the Local Government Pension Scheme.

Levels of performance for the Cardiff and Vale of Glamorgan Pension Fund

The Cardiff and Vale of Glamorgan Pension Fund will issue forms, newsletters, booklets and such other materials as are necessary for the administration of the Scheme.

The Cardiff and Vale of Glamorgan Pension Fund will support employers in running the Local Government Pension Scheme by:

- providing representative's with information and assistance on the scheme and its administration;
- distributing regular technical information to the relevant representative(s).

By working co-operatively with employers, the Cardiff and Vale of Glamorgan Pension Fund aims to:

- pay the retirement grant (lump sum) into the member's bank account no later than 4 weeks after the member's date of retirement;
- accept the member contribution rate calculated by the employer.

The Cardiff and Vale of Glamorgan Pension Fund will produce benefit statements for members each year where the employer has submitted useable and accurate year-end financial data.

The Cardiff and Vale of Glamorgan Pension Fund will supply any information to employers necessary to ensure the effective operation of the Pension Fund.

The Cardiff and Vale of Glamorgan Pension Fund will work with employers to ensure that the retirement process is as efficient as possible for both the member and employer.

The Cardiff and Vale of Glamorgan Pension Fund is responsible for exercising the discretionary powers given to it by the regulations. The Cardiff and Vale of Glamorgan Pension Fund is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.

The Cardiff and Vale of Glamorgan Pension Fund aims to provide a service to members that meet the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

Under the GDPR Data Protection Act 2018, Cardiff and Vale of Glamorgan Pension Fund will protect from improper disclosure any information held about a member. Information held will be used by, or on behalf of Cardiff and Vale of Glamorgan Pension Fund Pension Fund for the operation of the Local Government Pension Scheme. Full details of our Data Protection Notice can be found on the Cardiff and Vale of Glamorgan Pension Website.

Payments by Employing Authorities to the Cardiff and Vale of Glamorgan Pension Fund

Employing authorities will make all payments required under the Local Government Pension Scheme, and any related legislation, promptly to the Cardiff and Vale of Glamorgan Pension Fund and/or its Additional Voluntary Contribution provider(s) as appropriate.

Payment Dates

For employing authorities that contribute on a monthly basis, contributions can be paid over at any time but the latest date is the 19th of the month immediately following the month in which deductions were made. For example contributions deducted in April must be received by the Cardiff and Vale of Glamorgan Pension Fund by 19th May at the latest. Where the 19th falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19th.

Please note that the employer will pay additional voluntary contributions to the relevant AVC Provider within one week of them being deducted.

Late Payment

The employer is reported to The Pensions Regulator where contributions are received late in accordance with the regulators code of practice.

Payment Method

Contributions (but not Additional Voluntary Contributions) should be paid to the Cardiff and Vale of Glamorgan Pension Fund on a monthly basis.

Payments should be made by CHAPS or BACS and paid into our Natwest Bank Account.

Remittance Advices

The employer must submit an advice slip with their payment stating the month and the amount of the payment split between Employees' and the Employer's contributions.

Interest on late payments

In accordance with the LGPS Regulations, interest will be charged on any amount overdue from an employing authority by more than one month.

Interest will be calculated at 1% above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

Additional costs incurred as a result of Employing Authority's level of performance

Where additional costs have been incurred by the Cardiff and Vale of Glamorgan Pension Fund because of the employing authority's level of performance in carrying out its functions under the LGPS, the additional costs will be recovered from that employing authority.

The Cardiff and Vale of Glamorgan Pension Fund will give written notice to the employing authority stating:

- the reasons for the additional cost incurred;
- that the employing authority should pay the additional costs incurred by that authority's level of performance;
- the basis on which the specified amount is calculated;
- the relevant provisions of the Pension Administration Strategy under which the additional costs have arisen.

Any disagreement regarding the amount of additional cost being recovered will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case;
- the extent to which the Cardiff and Vale of Glamorgan Pension Fund and the employing authority have complied with those provisions in carrying out their functions under these Regulations.

Review of the Pension Administration Strategy

This Strategy will be kept under periodic review by the Administering Authority.

- The Cardiff and Vale of Glamorgan Pension Fund will constantly seek to improve communications between itself and employing authorities.
- Employers may make suggestions to improve the Pension Administration Strategy for consideration by the Cardiff and Vale of Glamorgan Pension Fund at any time.
- The Cardiff and Vale of Glamorgan Pension Fund will revise the Pension Administration Strategy after consulting with employing authorities and any other persons considered appropriate following a material change in any policy covered in the strategy. The strategy will be published on the Cardiff and Vale of Glamorgan Pension Fund website, and a copy will be issued to each Employing Authority and the Secretary of State.
- If the strategy is to be updated following review, each Employing Authority will be notified, as will the Secretary of State, and a revised version will be published on the Cardiff and Vale of Glamorgan Pension Fund website.
- Employers are welcome to discuss any aspect of the Pension Administration Strategy with the Cardiff and Vale of Glamorgan Pension Fund at any time. Employers are welcome to contact the Cardiff and Vale of Glamorgan Pension Fund at any time by using the contact details as provided overleaf.

Employer Contributions Rates and Administration Costs

- Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.
- The Cardiff and Vale of Glamorgan Pension Fund has an actuarial valuation undertaken every three years by the Fund's actuary. The actuary balances the funds' assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent three year period.
- The costs associated with the administration of the scheme are charged directly to the Cardiff and Vale of Glamorgan Pension Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.
- If an employer wishes the Cardiff and Vale of Glamorgan Pension Fund to carry out work not attributable to administration they will be charged directly for the cost of that work.

Contact Us

Cardiff and Vale of Glamorgan Pension Fund
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Cardiff
CF10 4UW
Tel: **029 2087 2523**
Email: **pensions@cardiff.gov.uk**

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UK Parliament SIs 2010-present/2013/2351-2400/Local Government Pension Scheme Regulations 2013 (SI 2013/2356)/Part 2 Administration/59 Pension administration strategy

59 Pension administration strategy

- (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.
- (2) The matters are—
- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
 - (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
 - (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
 - (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
 - (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
 - (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
 - (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.
- (3) An administering authority must—
- (a) keep its pension administration strategy under review; and
 - (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.
- (4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.
- (5) An administering authority must publish—
- (a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

NOTES

Initial Commencement

Specified date

Specified date: 1 April 2014: see reg 1(1).

Extent

These Regulations do not extend to Scotland: see reg 1(3).

See Further

See further, with modifications, the Local Government Pension Scheme (West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund Merger) Regulations 2019, [SI 2019/1351, reg 2\(1\)](#).

See further, with modifications, the Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, [SI 2020/502, reg 2](#).

Document information

Local Government Pension Scheme Regulations 2013

Date made

12/09/2013



**CARDIFF & VALE OF GLAMORGAN PENSION FUND
LOCAL PENSION BOARD
18 JANUARY 2022**

Present: Mr Michael Prior (Independent Chair)

Employers Representatives:
David Llewellyn (Finance Director, Cardiff Met)

Scheme Member Representatives:
Ms H Williams (Unison Nominee)
Ms Sheelagh Doolan-Pitt (GMB Nominee)
Mr Peter King (Unison Nominee)

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

1: Apologies and Declarations of Interest

Apologies had been received from Mark Simms. There were no declarations of interest.

2: Minutes of previous meeting and Matters arising

The minutes of the meeting held on 6 July 2021 were agreed as a correct record, subject to the deletion of the word 'fundamental' on page 3.

Matters arising:

In relation to GMP, it was noted that currently there was detail to bring to the Board, and that a report will be presented early in the new financial year.

With reference to the Audit Report, board members were advised that this was now being programmed into the Annual Review work and will be shared with board members when it is complete.

Discussing the Risk Register, it was agreed that the Board could concentrate on a couple of areas in depth at each meeting.

3: Administration Update

This report updated the Board on work being carried out by the Pensions Section. The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board Members.

Members asked if the figure of 416 days for Interfund in was correct. Officers explained that they often have to go back and forth for further information but assured members that this does not have an impact on a scheme member, its about updating the records.

Members referred to staffing and noted that 3 out of 8 people had been recruited, so there was a need to readvertise for the other 5 posts, which was disappointing, but it was important to have the right people.

Members asked what proportion of the whole team the 8 posts represented; Officers advised this was around a third.

Members asked about training opportunities for candidates and Officers explained that they get 1:1 on the job training as well as third party training from LGA, add-on training from Haywood as well as the mandatory training from Cardiff Academy. Currently, Officers are looking for candidates with relevant pensions experience as they need the resource, but this may need to be reconsidered when they readvertise.

Members asked if Officers were confident they were able to offer salaries within the Job Evaluation scheme to attract the calibre of candidates required. Officers explained that the salaries as graded are comparable to other Local Authorities.

Members referred to paragraph 8 and the under/over payments and asked if the figures £2-£5 was per month. Officers clarified it was per month.

Members referred to paragraph 10 and asked if there was a link between the Dashboard and the MSS, Officers advised there was not.

Members considered there was a good take up of MSS from the Vale of Glamorgan, but more still needed to sign up to take pressure off the team. Members asked if the TU's could do anything to encourage sign up to MSS and whether log-in's could be reissued to those who haven't used them. Officers explained this would be a big task, but if people contact the team to ask for a log-in it can be reissued.

Officers explained that they were just at the end of the initial rollout and there would be a focus on increasing take up figures and were confident there would be increased figures to report to future meetings. Officers also explained they would look at the age profile of the take-up and that this may drive any future communications strategy.

It was noted that GLL and Cardiff Met were not on MSS yet and that Cardiff Met had data issues with iConnect that they were working through.

Members wished to have clarification on the figures of take up from Cardiff and the Vale of Glamorgan. They considered it was a good take up for an initial rollout and looked forward to seeing continued increases. Members thought it was useful to have these figures reported to the Board.

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

4. Review of the Risk Register

This item enabled Local Pension Board to review the current Risk Register for the Pension Fund before it is submitted to the Pension Committee.

Officers outlined the report to Board Members after which the Chairperson invited questions and comments.

Members noted the review and that the Board had added 2 risks at its last meeting.

Members considered it would be useful to concentrate on 1 or 2 issues, line by line with the relevant staff member, at each Board meeting.

Members were pleased to see that Cyber security had been added and that following the Cyber Security training and presentation to the Board at its April meeting, this risk could be considered in depth.

Officers considered it would be useful to have a schedule of risks to be reviewed.

Officers explained that GMP would be better considered in the Autumn, when there would be more tangible information to review.

Members discussed various risks that could be reviewed in depth including Risk P20 – Resource Implications and investment.

Members asked about risk P11 – Payroll System and asked for an update on this. Officers explained that this was too difficult to do at the moment purely due to resources but noted this should be updated on the Register.

RESOLVED: To note the Risk Register and agreed to look at two risks in depth at each meeting. The next meeting would consider Cyber Security and Resources.

5. Review of Complaints and Communications

This report was to process the annual review of the Communication Policy and Complaints and Compliments Policy and to consult with LPB for any changes prior to taking amended documents to the Pensions Committee.

Officers outlined the report to the Board, explaining this was an early sight of the document so that any comments may be incorporated before it is taken to Pensions Committee in February for formal approval.

Members were advised that compliments are always noted, reported and recognised.

RESOLVED: To consider the revised Communications and Complaints and Compliments Policies.

6: Amendments to Funding Strategy Statement

This report presented to the Board, proposed amendments to the Funding Strategy Statement (FSS).

The FSS sets out how the administering authority aims to meet the regulatory requirements to ensure that funds are available to meet pensions liabilities as they fall due whilst keeping employer contributions as constant as possible. The FSS is normally reviewed every three years as part of the Triennial Valuation following consultation with the Fund Actuary although amendments to the FSS within this three-year cycle may be necessary.

The meeting of the Pension Committee on 29 November 2021 received a report containing details of proposed amendments to the current version of the FSS that had been suggested by Aon, the Fund's actuary. Officers outlined the detail of the report to the Board and advised that this was a statutory obligation to complete the statement.

The Chairperson invited comments from the Board.

The Chairperson noted that the proposed changes were provided by AON and that these changes would be made for all the LGPS schemes.

Members appreciated the tracked changes in the document for ease of reference.

Members were advised that any comments from the Board would be required before the report is taken to the Pension Committee in February for formal approval.

RESOLVED: To consider the proposed amendments to the FSS and forward any comments as part of the consultation.

7: WPP and Investment Update

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

Officers outlined the report to Board Members after which the Chairperson invited questions and comments.

Members were pleased to see the increased proportion of assets in the WPP at 65% and asked how this compared to the other Authorities. Officers advised that Cardiff and the Vale were one of the higher ones now and that figures could be included in the next report to the Board.

The Board formally endorsed PK's application to the Governance Committee.

The Board were pleased with the progress in assets in the WPP and the overall performance in general.

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

8: Review of Governance Compliance Statement

This report presented to the Board a proposed update to the Fund's Governance Compliance Statement and asked the Board to consider any further amendments required to update the document.

Officers advised that this report would be taken to Pensions Committee on 7 February 2022 for formal approval, so any comments from the Board would be needed before then.

Officers outlined the report in detail after which the Chairperson invited comments from the Board.

It was considered that the Terms of Reference could be reviewed.

RESOLVED: To consider the revised Governance Compliance Statement and forwards any comments prior to the February 2022 meeting of the Pension Committee.

9: Any Other Business

Membership – Vacancy following the departure of Carys Lord from the Board. The Chair advised that he had received one nomination from the Vale of Glamorgan. Chris Lee was happy to support this.

The Chair asked that Officers contact Mark Simms to see if he is able to allocate his time to Board.

Date of next meeting

29 April 2022.

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CARDIFF COUNCIL CYNGOR CAERDYDD



PENSIONS COMMITTEE: 27 JUNE 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 12

STRATEGIC ASSET ALLOCATION 2022/23

Appendices 1 & 4 are exempt from publication because they contains information of the kind described in paragraphs 14 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and 21 (in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.

Reason for this Report

1. This report has been prepared to update the Committee regarding development of the Pension Fund's Strategic Asset Allocation with in particular a consideration of the new Wales Pension Partnership (WPP) Private Market sub-funds. The Pensions Committee has a strategic role in the management of the Fund and its remit includes the approval of the asset allocation on the advice of the Investment Advisory Panel.

Background

2. Over the last three years this Fund has taken the opportunity to transition a significant proportion of its assets into sub-funds launched by the WPP. As at 31 March 2022 this Fund had invested £1,700m in 4 of the WPP Equity sub-funds and 3 of the Fixed Income funds. The value of Investments in WPP sub-funds represented over 63% of the Fund's value as at 31st March 2022. In addition a further £616m, or nearly 23% of this Fund's value, is invested in the BlackRock Low Carbon tracker fund. This fund was jointly procured with the other Welsh LGPS funds and is effectively a pooled fund. Over 86% of this Fund's assets by value are therefore in pooled funds as at 31st March 2022.
3. The attention of the WPP has turned to the development of sub-funds for Private Market assets. Previous WPP update reports to the Committee would have kept members informed on the progress of the procurement for these asset classes. To summarise the WPP Joint Governance Committee (JGC) have approved the appointment of allocators for both the Private Debt and closed ended Infrastructure sub-funds and the managers for the open-ended Infrastructure sub-funded. With regard to the Private Equity asset class the target here is to conclude the current procurement with a report to JGC in the autumn with recommendations for preferred manager(s). This would leave Property as the final asset class to be considered and work will commence shortly with officers to consider the appropriate procurement route for this sub-fund.

Issues

4. The Investment Advisory Panel meeting on 8th March 2022 received a report reviewing the Fund's Strategic Asset Allocation for 2022/23. A copy of this report is attached as Appendix 1. The report drew attention to the significant changes in 2021/22 with the Fund's transition to the WPP Global Growth, Global Opportunities and Emerging Markets equity sub-funds as well as the additional investment in the BlackRock Low Carbon tracker fund.
5. The procurement of Private Market Allocators for Private Credit and both Close-ended and Open-ended Infrastructure Funds is almost complete. The appointments of the preferred allocators for these funds was approved by the WPP Joint Governance Committee (JGC) at its meeting in March 2022 and these funds are expected to be launched shortly once legal documents are finalised. At present this Fund has no allocation to either of these asset classes. The procurement for allocators for Private Equity is also advancing with the target of the September JGC meeting for the approval of the preferred allocator(s) and the Private Equity fund(s) expected to be launched late in 2022.
6. The Government's original criteria for the pooling of LGPS investments included a requirement to consider investments in infrastructure. The Government has recently published a White Paper on its "levelling up" proposals. Although further detailed guidance is awaited at a high level this is "asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas."
7. Work on the Fund's next tri-annual valuation, as at 31 March 2022, has commenced and the findings from this valuation may result in suggested amendments to the Fund's asset allocation
8. The Investment Panel was asked to consider whether this Fund should invest in these new Private Market asset class Funds when they are launched by the WPP .
If the Fund is to invest, the extent of that investment and which asset classes should be reduced to fund this new allocation?
 - i. Private credit
 - ii. Infrastructure close ended Funds (similar to the existing Private Equity investments)
 - iii. Infrastructure open ended Funds (similar to the existing Property Investments)
 - iv. A combination of these asset classes
9. The Panel considered that investments in these asset classes would bring the advantage of further strengthening the Fund's asset diversification. The characteristics of these asset classes were most similar to the Fund's Fixed income assets and it was considered that this would likely be the area of the existing asset allocation that would be reduced to finance these new investments. An initial allocation of around 5% of the Fund's value to each of Private Credit and Infrastructure was considered appropriate. The Panel however, recommended that further modelling work to confirm the risk / reward implications for the Fund was undertaken before making these change to the strategic asset allocation.
10. Given their existing knowledge of the Fund asset allocation, officers commissioned Aon to undertake this risk / reward modelling. A copy of their report is attached as confidential Appendix 4. In summary due to the expected volatility in the investment markets in the short to medium term the report is positive with regard to additional Private Market Investments. The report models a number of different scenarios with different mixes of

investments in the new Private market asset cases and with different reductions in existing asset classes to fund these new investments. The optimum mix in terms of enhancing the expected return to be earned by the Fund and minimising the volatility risk is summarised below :-

- 7.5% allocation to WPP Private Credit sub-fund
- 7.5% allocation to WPP Open-ended Infrastructure sub-fund
- 7.5% reduction in Equity
- 7.5% reduction in Fixed Income,
- 2.5% allocation to WPP Private Equity sub-fund
- 2.5% reduction in Equity

11. The Investment Advisory Panel further considered the Strategic Asset Allocation, including the Aon report, at its meeting on 14 June 2022. A copy of the June Panel report is attached as Appendix 2. The Panel were comfortable with the recommendations arising from the Aon report subject to Aon outlining their rationale for the reduction in Equity as part of the funding of the new investments.
12. As a consequence of the relatively long lead-in time expected for investments to be made in these Private Market asset classes and the current investment market volatility, Aon have also suggested that this Fund's adopts a policy to preserve investment value and minimise volatility until the Investments in the new Private Market funds are completed. A number of options are suggested by Aon but at this stage given the uncertainty over both the timing and the quantum of drawdowns for the new investments no hedging options will be entered into at this stage. When further details on the drawdowns for the new Private Markets investments are available the Investment Panel and officers will re-evaluate the options available for this Fund.
13. A summary of the Fund's proposed strategic asset allocation for 2022/23 is provided in Appendix 3.

Legal Implications

14. Various legislation and government guidance impose obligations on administering authorities in relation to the administration of the LGPS, including in relation to requirements to prepare and maintain prescribed strategy statements. The recommendations refer to proposals in respect of the fund's Asset Allocation and seeks approval of the 2022/23 Strategic Asset Allocation document. These are specialist areas, which are outside the expertise of the in house Legal Service to comment upon. The Committee should ensure that it has full and proper advice on such matters before proceeding to make a decision. It is understood by Legal Services that the service area has taken assistance and advice from appropriate external advisors before presenting the recommendations for approval .

15. 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 2022-25 : <https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Pages/Corporate-Plan.aspx>

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

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

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

Financial Implications

16. All costs arising from the management of the Pension Fund’s investments are charged to the Fund.

Recommendations

17. That the Committee:
 - (1) Notes the work undertaken by Aon in modelling expected changes to the Fund’s risk and return profile from amending the fund’s Asset Allocation and the recommendations from the review of report which are :-
 - i. An investment of up to 7.5% in the WPP Private Credit sub-fund

- ii. An investment of up to 7.5% in the WPP Open-ended Infrastructure sub-fund
- iii. A potential investment of up to 2.5% in the WPP Private Equity sub-fund

(2) Approves the 2022/23 Strategic Asset Allocation

**CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES**

Appendix 2 is exempt from publication because it contains information of the kind described in paragraphs 14 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and 21 (in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.

Appendix 1 Strategic Asset Allocation report to 8 March 2022 meeting of the Investment Advisory Panel.

Appendix 2 Strategic Asset Allocation report to 14 June 2022 meeting of the Investment Advisory Panel.

Appendix 3 Strategic Asset Allocation 2022/23

Appendix 4 Confidential report from Aon

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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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CARDIFF & VALE OF GLAMORGAN PENSION FUND



INVESTMENT ADVISORY PANEL:

14 JUNE 2022

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4

STRATEGIC ASSET ALLOCATION 2022/23

Reason for this Report

1. The Panel reviews the Fund's strategic asset allocation periodically to ensure that the asset mix will continue to achieve the Fund's investment objectives. This report includes a consideration of the new Wales Pension Partnership (WPP) Private Market sub-funds
2. The Pensions Committee has a strategic role in the management of the Fund and its remit includes the approval of the asset allocation on the advice of the Panel.

Background

3. Over the last three years this Fund has taken the opportunity to transition a significant proportion of its assets into sub-funds launched by the WPP. As at 31 March 2022 this Fund had invested £1,700m in 4 of the WPP Equity sub-funds and 3 of the Fixed Income funds. The value of Investments in WPP sub-funds represented over 63% of the Fund's value as at 31st March 2022. In addition a further £616m, or nearly 23% of this Fund's value, is invested in the BlackRock Low Carbon tracker fund. This fund was jointly procured with the other Welsh LGPS funds and is effectively a pooled fund. Over 86% of this Fund's assets by value are therefore in pooled funds as at 31st March 2022.
4. The attention of the WPP has turned to the development of sub-funds for Private Market assets and to summarise the WPP Joint Governance Committee (JGC) have approved the appointment of allocators for both the Private Debt and closed ended Infrastructure sub-funds and the managers for the open-ended Infrastructure sub-fund. With regard to the Private Equity asset class the target here is to conclude the current procurement with a report to JGC in the autumn with recommendations for preferred manager(s). This would leave Property as the final asset class to be considered and work will commence shortly with officers to consider the appropriate procurement route for this sub-fund.

Issues

5. The Investment Advisory Panel meeting on 8th March 2022 received a report reviewing the Fund's Strategic Asset Allocation for 2022/23. A copy of this report is attached as Appendix 1.
6. Following the approval of the preferred allocators the Private Credit and both Close-ended and Open-ended Infrastructure sub-funds are expected to be launched shortly once legal documents are finalised. At present this Fund has no allocation to either of these asset classes. The procurement for allocators for Private Equity is also advancing with the target of the September JGC meeting for the approval of the preferred allocator(s) and the Private Equity fund(s) expected to be launched late in 2022.
7. As outlined in the previous Panel report there are a number of factors that could influence the 2022/23, and future years, Strategic Asset Allocations. These include :-
 - The Government's "levelling up" proposals which includes setting an ambition of up to 5% of LGPS assets to be invested in projects which support local areas.
 - Findings from the Fund's next tri-annual valuation, as at 31 March 2022, may result in suggested amendments to the Fund's asset allocation
8. The Panel considered that investments in these asset classes would bring the advantage of further strengthening the Fund's asset diversification. The characteristics of these asset classes were most similar to the Fund's Fixed income assets and it was considered that this would likely be the area of the existing asset allocation that would be reduced to finance these new investments. An initial allocation of around 5% of the Fund's value to each of Private Credit and Infrastructure was considered appropriate. The Panel however, recommended that further modelling work to confirm the risk / reward implications for the Fund was undertaken before making these change to the strategic asset allocation.
9. Given their existing knowledge of the Fund asset allocation, officers commissioned Aon to undertake this risk / reward modelling. A copy of their report is attached as Appendix 2. In summary due to the expected volatility in the investment markets in the short to medium term the Aon report is positive with regard to additional Private Market Investments. The report models a number of different scenarios with different mixes of investments in the new Private market asset cases and with different reductions in existing asset classes to fund these new investments. The optimum mix in terms of enhancing the expected return to be earned by the Fund and minimising the volatility risk is summarised below :-
 - 7.5% allocation to WPP Private Credit sub-fund
 - 7.5% allocation to WPP Open-ended Infrastructure sub-fund
 - 7.5% reduction in Equity
 - 7.5% reduction in Fixed Income,
 - 2.5% allocation to WPP Private Equity sub-fund
 - 2.5% reduction in Equity
10. **The Panel is asked to consider whether it is comfortable with the Private Market asset allocations recommended by Aon and their proposed sources of funding ?**
11. As a consequence of the relatively long lead-in time expected for investments to be made in these Private Market asset classes and the current investment market volatility Aon have also recommended that this Fund's adopts a policy to preserve investment value and minimise volatility until the Investments in the new Private Market funds are completed. A number of options are suggested which will require further evaluate in choosing the best option for this Fund which would also include the option of taking no action and accepting potential market volatility.

12. **The Panel is asked to consider whether it has a preferred option to preserve investment value in the transition to the new Private Market asset allocations**
13. A summary of the Fund's proposed strategic asset allocation for 2022/23 incorporating the above Private Market recommendations is provided in Appendix 3.

Recommendations

14. That the panel considers the proposed additional Private Market investments and confirms its recommended strategic asset allocation for 2022-23, including any proposal to preserve investment value, to be presented to the next meeting of the Pensions Committee.

CHRISTOPHER LEE CORPORATE DIRECTOR RESOURCES

- Appendix 1 Strategic Asset Allocation report to 8 March 2022 meeting of the Investment Advisory Panel.
- Appendix 2 Aon Asset Allocation Modelling report
- Appendix 3 Strategic Asset Allocation 2022/23

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APPENDIX 1**CARDIFF & VALE OF GLAMORGAN PENSION FUND****Proposed Strategic Asset Allocation for 2022-23**

2021-22				Actual March 22	2022-23		
%	%	ASSET CLASS		%	%	%	
		EQUITIES					
		GLOBAL					
20	+/- 4	Passive - Low Carbon		22.9%	17.5	+/- 4	
30	+/- 5	Active - Global		27.6%	26.3	+/- 5	
50	+/- 10	Total Global		50.5%	43.8	+/- 10	50 +/- 10
		REGIONAL					
0	+/- 2	UK - Passive		0.0%	0.0	+/- 2	
5	+/- 2	UK - Active		8.7%	4.4	+/- 2	
5	+/- 2	Emerging Markets		4.3%	4.4	+/- 2	
10	+/- 2	Total Regional		12.9%	8.8	+/- 2	10 +/- 5
60	+/- 10	Total Equities		63.4%	52.5	+/- 10	60 +/- 10
		BONDS & CASH					
11.0	+/- 4	Global Govt Bonds		9.0%	8.0	+/- 4	
9.5	+/- 4	Global Credit		8.0%	7.0	+/- 4	
7.0	+/- 3	Multi-Asset Credit		5.6%	5.0	+/- 3	
0.0	+ 2	Cash		2.7%	0.0	+ 2	
27.5	+/- 5	Total Bonds & Cash		25.4%	20.0	+/- 5	27.5 +/- 5
		PROPERTY					
5.0	+/- 2	UK Property		5.1%	5.0	+/- 2	
2.5	+/- 1	Global Property		2.4%	2.5	+/- 1	
7.5	+/- 3	Total Property		7.5%	7.5	+/- 3	7.5 +/- 3
5.0	+/- 2	PRIVATE EQUITY		3.7%	5.0	+/- 2	5 +/- 2
0		PRIVATE CREDIT		0	7.5		
		INFRASTRUCTURE					
0		Closed Ended funds		0	0		
0		Open Ended funds		0	7.5		
0		Total Infrastructure		0	7.5		
100.0				100.0%	100.0		

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