

PENSIONS COMMITTEE

12 MARCH 2018

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

45 : APOLOGIES FOR ABSENCE

No apologies for absence were received. Councillor Dilwar Ali was not required to attend as he had a conflicting meeting commitment.

46 : DECLARATIONS OF INTEREST

None.

47 : MINUTES

The minutes of the meeting held on 20 November 2017 were agreed as a correct record and signed by the Chairperson.

48 : EXCLUSION OF PRESS AND PUBLIC

The committee agreed that the press and public be excluded from the meeting during the consideration of the next item as consideration of the item in public would disclose information which falls within paragraphs 14 and 21 of Parts 4 and 5, Schedule 12A Local Government Act 1972.

49 : MINUTES OF THE INVESTMENT ADVISORY PANEL

RESOLVED: To note the minutes of the Investment Advisory Panel meetings held on 19 September and 12 December 2017.

50 : WALES PENSION PARTNERSHIP

Members were advised that this report provided an update to the Committee on progress towards the establishment of pooled investment arrangements for the eight LGPS funds in Wales.

Members noted that following a procurement exercise overseen by the JGC, the eight authorities individually approved the appointment of Link Fund Solutions as the Operator of the Investment Pool. The contract with Link was signed on 22 December 2017. Link have partnered with Russell Investments to provide investment consultative services.

Link will be establishing a FCA regulated Authorised Contractual Scheme (ACS) to hold investment assets on behalf of the eight pension fund authorities. The ACS will comprise a number of sub funds to enable the authorities to implement their individual investment strategies. The sub funds will be established in stages once the initial application to the FCA has been approved.

Assets held in each sub fund will be managed by one or more investment managers appointed by Link in consultation with Russell Investments and the eight pension funds. Link and Russell have met with the officers of each fund individually to gain an understanding of the funds' investment strategies and current asset portfolios. They have also given a presentation to an informal meeting of the JGC.

Link and Russell will attend the joint meeting of the Pensions Committee and the Local Pension Board on 23 March 2018 to introduce themselves and explain their role within the Wales Pension Partnership.

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

51 : FOSSIL FUEL INVESTMENTS

Members were provided with an update on progress towards reviewing the Pension Fund's investments in fossil fuels.

Members were advised that Environmental groups (e.g. Friends of the Earth) have campaigned for several years against the reliance of developed and developing countries on fossil fuel sources (coal, oil and gas) for energy, on the grounds of the impact on the environment of both the extraction and consumption of fossil fuels.

Recent campaigns have focused on the long term financial viability of major oil and gas producers, raising issues such as agreements by governments to aim to reduce consumption and the increasing costs of extraction. Campaigners have argued that LGPS funds should cease investing in these companies on financial grounds i.e. that the companies may not be able to provide the long term capital growth and dividend income required by fund investment strategies.

Following the election of a new Council in May 2017, Cardiff Council published the "Capital Ambition" document setting out its five year plan. The plan included a commitment to "Work with the Pensions Committee to consider divesting Council investments from fossil fuel companies". A more detailed Corporate Plan for 2018-21 is being prepared and will set out proposals to address the commitments in Capital Ambition.

In response to the commitment given in Capital Ambition, the Panel has received two reports setting out the issues to be considered before any amendments could be made to the Fund's strategy.

The report presented to the Panel in December addressed the following issues:

- The fiduciary responsibilities of the Council and the roles of the Committee, the Panel and the Local Pension Board in fulfilling those responsibilities;
- Commitments made by other LGPS funds to amend their investment strategies to take account of environmental issues;
- The Fund's current exposure to fossil fuel related investments;
- Options for investment strategies including low carbon investing as well as full disinvestment;

The Panel noted the work carried out to date and recommended that officers consider wider ESG (environmental, social and governance) issues, consult with other LGPS funds in Wales and consider the development of a Climate Change Investment Policy.

ESG issues will be included in topics to be discussed at the joint meeting of the Pensions Committee and Local Pension Board on 23 March 2018.

The Wales Pension Partnership will work with its ACS operator Link Fund Solutions and consultants Russell Investments to consider how ESG issues can be addressed to meet the current and future requirements of the eight constituent pension funds.

The UK Government announced in December 2017 that it will consult on changes to Pension Scheme Investment Regulations to allow Pension Funds to consider social factors in making investment decisions. The Panel and Committee will be advised of the proposed changes so that a response can be made to the consultation.

RESOLVED: To note the work undertaken to date on reviewing the Fund's investment in fossil fuel related companies.

52 : DATE OF NEXT MEETING

Committee were advised that there would be an informal Joint meeting of the Pensions Committee and Local Pension Board on Friday 23rd March 2018 at 2pm in CR4, County Hall, Cardiff.

The next formal meeting of the Pensions Committee was scheduled for Wednesday 27 June 2018 at 5.00pm.

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