



## **CARDIFF & VALE OF GLAMORGAN PENSION FUND**

### **LOCAL PENSION BOARD**

**30 OCTOBER 2018**

Present: Mr Michael Prior (Independent Chair)

Employer Representatives:  
Cllr C Priday (Community Councillor, Pentyrch)  
Carys Lord (Vale of Glamorgan Council)

Scheme Member Representatives:  
Mr Peter King (Unison Nominee)  
Mr Ken Daniels (GMB Nominee)

In Attendance: Christine Salter, Corporate Director Resources  
Gareth Henson, Pensions Manager  
Gary Watkins (OM Revenues),  
Jayne Newton, Communications and Training Officer  
Andrea Redmond, Clerk

### **Apologies**

Apologies were received from Mr David Llewellyn (Finance Director, Cardiff Met. University)  
Karen O'Donoghue-Harris, Principal Pensions Officer,  
Ms H Williams (Unison Nominee)

### **1: Membership and Terms of Reference of the Board.**

The Chairperson advised the Board that there were no changes at this stage.

### **2: Declarations of Interest**

No declarations of interest were received.

### **3: Minutes of previous meeting and Matters arising**

The minutes of the meeting held on 10 July 2018 were agreed as a correct record and signed by the Chair.

Matters arising:

Board Members asked about the ongoing issues with GLL for the Leisure centre staff and asked how this was being dealt with. Officers advised that they are liaising frequently with them and the issues are in relation to casual staff and staff with numerous roles and separate records needing to be kept for each role. GLL prefers one employee/one contract. The Chairperson requested that an update is brought to the next meeting.

Board Members were advised that the vacancy in the admin team had now been filled.

Board Members were advised that the Annual Return had been submitted in advance of its deadline of 6<sup>th</sup> November. The Chairperson asked that the return is circulated to Board Members and considered that it should have been brought to the Board Meeting for information.

### **4: Wales Pension Partnership**

Board Members were provided with an update on the development of the WPP investment pool.

The next phase for Cardiff and the Vale of Glamorgan would be European and UK Equities. Detailed work had been undertaken on the design of the Fund and this went to the Joint Governance Committee on 25 September 2018.

An Addendum needed to be put to the FCA to approve the sub funds and they would hopefully be launched at the end of the year or early next year; then a decision would need to be made to move investments into them.

Fixed Income Investments would be the 3<sup>rd</sup> tranche and work is expected to be completed in the 2019/20 financial year.

The Transition Manager had recently been approved.

The Chairperson invited questions on the report.

The Chairperson asked how much would be pooled in total. The Board were advised that £540 million in Passive Investments (25% of the Fund) is already regarded as pooled. A further £700 million (35% of the fund) is in Active Equities and £550 million in Fixed Income.

The Chairperson asked about investing in Infrastructure and if there had been any discussion as to what form this could take. Officers explained that there was no detail as yet, it was an aspiration at the moment and it was up to each individual fund to decide its allocation. Officers added that it was a question of scale, up until now there wasn't the scale available to make allocations but pooling presents more opportunities.

Board Members noted that there was no equivalent to a Pension Board or Scrutiny body at an All Wales level. The Section 151 Officer advised that the Welsh LGPS authorities were aware this issue had been raised but would not be initiating any changes until the UK Government issued further guidance on pool governance. The Chairperson advised that any queries or questions can be taken forward by the Scheme Advisory Board, or could be raised at the informal meetings of the Welsh Local Pension Board Chairs.

Board Members discussed the operators and noted that they couldn't see transparency of transactional costs and fees. Officers assured Board Members that Link and Russell had signed up to the transparency code, but as there were no assets in the Pool as yet there was nothing to report. The Chairperson noted that once there were assets in the sub funds there would be an obligation to report costs on a quarterly basis.

The Chairperson asked that a copy of the Code of transparency is provided to the Board and also confirmation that partners have signed up to the code.

**RESOLVED:** To note the developments in the Wales Pension Partnership and progress in the establishment of the ACS.

## **5: Annual Report 2017/18 and Mid-Year Financial Update 2018/19**

Board Members were advised that this report is presented every year; the key points from the report were as follows;

- an Executive Summary and Narrative Report (pages 2-3)
- details of the management and administration arrangements for the Fund (pages 4-7)
- a report on the Fund's investment performance for the year (pages 8-11)
- statements by the Fund's Actuary (pages 12-14)
- a Statement of Responsibilities and the Auditor's Report (pages 15-18)
- the audited Statement of Accounts approved by the Council (pages 19-39)
- additional statistical data about the Fund's investments (pages 40-41)
- a Glossary of key terms (pages 42-47)
- further information including contact details (page 48)

The Report will be published on the Council's website and copies will be distributed to the Fund's employers, investment managers and other stakeholders.

The Chairperson stated that it was a clean audit report with no qualifications, any minor misstatements had been corrected but there were no concerns. The Chairperson added that there were now over 40,000 members and it had been a very successful year.

Board Members sought clarification on GLL's contributions. Officers advised that the fixed rate had been determined by the Fund actuaries based on the expected future pension costs for the transferred employees. Any deficits arising for pre-transfer benefits and at the end of the contract would be included in the deficit for the Council.

The Chairperson asked if there were any issues that the Board needed to be aware of. Officers advised that there had been some exits from the Fund, all would be fed into the 2019 valuation. The longstanding admitted bodies were mostly close to being fully funded.

Board Members asked about contribution bands for 2019/20 and how this would be communicated to members. Officers advised that they would know very soon and would let employers know well in advance of the start of the new financial year. Employees would be informed via the website which would include links to the published bands.

Board Members discussed tax and lifetime allowance and asked about fund members close to the threshold. Officers advised that individuals would be written to when approaching the limits. The high pension values are a combination of promotion and long service.

#### **RESOLVED:**

- i. To note the Fund's Annual Report for 2017-18 and the Auditor's Audit of Financial Statements Report.
- ii. To note the Fund's position as at 30 September 2018.

#### **6: Administration Issues**

##### Pensions Regulator

Board Members were advised that The Pensions Regulator's Annual Return for 2018/19 was due on 6 November 2018. The Return includes:

- Scheme membership as at 31 March 2018
- Data quality statistics (as per the report generated in January 2018 and presented to the Board in April)
- Governance details including names of Board members
- Employer details
- Service providers – in house administration and external auditor.

The Chairperson asked about the data quality statistics and were advised that they were 89% for common data and 73% for Scheme-specific data, as per the report run in January 2018. It was hoped that the report for January 2019 would see significant improvements to all the quality statistics.

The Chairperson noted the review and that the annual return is mandatory. He asked if the exercise helps to improve data quality. Officers said that it does help although it doesn't identify all material errors whilst some errors included are trivial e.g. postcodes in the wrong address lines. The Chairperson stated that at the briefing session he had attended it had been stated that a score of 80% was considered good so he congratulated officers on the work undertaken.

With reference to the Governance Survey, officers advised that they would circulate and Board members could contribute and these would be collated.

The Chairperson asked that an update on progress is brought to the next meeting.

### GMP Reconciliation

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

Phase 2 of the project was carried out between April and August. This consisted of a bulk analysis process using specialist tools to match members. Over 11,000 queries were submitted to HMRC and responses commenced in August. The deadline for submission of queries is 31 October and JLT have advised that all discrepancies identified have been submitted ahead of the deadline. A number of HMRC records incorrectly assigned to the Cardiff & Vale of Glamorgan Fund have already been corrected. HMRC will be continuing to update their database over the next six months and the full impact of the exercise in terms of savings, costs and improved data quality will be assessed once HMRC have completed their updates.

HMRC have extended their timescale for response which would now be well into 2019.

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

The Chairperson made reference to a case involving Lloyds Bank and equalisation of pensions and considered that this may affect all final salary schemes.

Board members asked for clarification of figures and Officers agreed to come back to Board members with this information.

### Annual Benefit Statements

The LGPS Regulations require funds to send annual benefit statements to all active and deferred members by 31 August each year. Statements were despatched to deferred members in July and to active members in August. The target was 100%, last year 94% was achieved and this year 96.8% was achieved. Officers explained that the bulk were produced by a remote printer, after the deadline cut off manual statements were produced for any remaining. It was noted that the system wouldn't produce some statements and this was being looked into. Officers stated that they were aiming for 100% and they hoped to improve next year.

The Chairperson asked if there was an issue with deferred members. Officers explained that there were some members whose statements had been returned as "gone away" and previously it was left up to them to contact the Fund. Officers were now looking at tracing missing members as an extension of the monthly reporting of recently registered deaths. There were GDPR issues with contacting members found through tracing so caution was needed.

The Chairperson noted the improvements and the undertaking to deal with the deferred and asked that a report be brought back next year on this.

### Administration Workloads and Performance

Board Members discussed cases and numbers processed and were advised that in most categories the average processing time had improved. The exceptions were:

- sending out provisional retirement figures (from 24 days to 27 days), this reflects the increased workload and the complexity of the hybrid final salary – CARE scheme
- payment of death benefits (from 16 days to 25 days), there has been a significant increase in workload including an increase in deaths in service (more complex as benefits are based on salary information provided by employers)
- quotations for transfers out (from 10 days to 23 days) – also an area with an increase in workload
- calculation of deferred benefits (from 139 days to 149 days) – although more cases are being processed each month these tasks are given a lower priority relative to tasks leading to payment of benefits or a transfer to another fund.

The Chairperson asked if the recent recruitment in the section had helped and officers stated that they were processing more cases but that the workload was increasing too. Officers added that with extra resource they are moving to more proactive working as well as initiating developments such as the website and automatic transfer of payroll details. They were also able to make step improvements and target some problem areas but the section was still under pressure. It was important to figure out the optimum mix of skills and look at personal performance in the team, then an increase in the performance figures should be expected.

The Chairperson noted that it was work in progress however the level of resource should be right in a growing pension scheme; the staff are costed to the pension scheme so if there were no improvements there may be a case for an additional resource request.

The Section 151 Officer agreed and stated that it is acknowledged that improvements need to be made in some of the activities albeit once all the new officers have been in place for a longer period of time there will be a natural efficiency gain. However, consideration is being given to using a “workflow” based performance management option available from Altair to supplement the current “task” based reporting. This option would enable managers to understand issues with data flows including when a delay was due to waiting for information from a fund member or an employer. The Council’s Service Review methodology will be used to review processes and remove unnecessary steps with direction and support provided by the Capital Ambition Delivery team.

Board Members asked if the targets were too stretched, the Chairperson considered it would be good to look at other pension funds targets and compare. The Section 151 Officer stated that the targets are set by CIPFA but it would be good to look at targets to compare within Wales.

The Chairperson requested that a report be brought to the Board at the next meeting.

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

## **7: Fund Website**

Board Members were provided with a demonstration of the Pension Fund Website.

It was noted that the website would need to be bilingual, it was currently in its first phase of development. Once established the website would be extended to link to member self-service facilities.

Board Members noted that the links on the website would need to be regularly checked and an audit kept of who has requested changes and who has authorised changes.

Officers advised that when the website goes live it would be monitored for updates.

Board Members considered that the website was easily navigated and fairly intuitive.

Officers advised that the website would be hosted with its own domain name and capable of being found through searching – there would also be links on the Cardiff Council and the Vale of Glamorgan Council websites and other employers would have the option to do the same.

## **8: Board Member Training**

CIPFA Pensions Network meeting 10 October 2018

The Chairperson stated that this had been a good event and presentations, with updates on the regulations. The Chairperson considered that Cardiff could host this event in the spring.

LGPS Governance Conference Bristol 17 & 18 January 2019

This would be lunchtime to lunchtime event.

Pensions Fundamentals Training

Board members were advised that this training had started and had been very well attended. Carys Lord advised that she was doing Fundamentals 1 and 2.

The Chairperson stated that this was an important year and if Board Members want to go on any training then they should contact Jayne Newton as spaces were filling up quickly. Jayne Newton was also keeping the Board Member training log.

## **9: Risk Register 2018/19**

Board Members were advised that this was a rolling register, there had been updates since the last meeting as follows;

- I. P4 – amended to include the roles of the Pool Operator, Custodian and Transition Manager in protecting the Fund's investments when they have been transferred to the Pool.
- II. P9 – amended to include development of the web site, member self-service facilities and engagement with employers
- III. P12 – monthly update of shared information databases is now in place. As at 25 October, Cardiff was one of the 39 LGPS funds (out of 99) which had updated their shared data during October.
- IV. P13 – iConnect is live for almost all employers but interfaces from the payroll systems of 3 large employers (Vale of Glamorgan Council, Cardiff

Metropolitan University and Cardiff & Vale College) are still under development.

The Chairperson considered that there should be an areas for Administration Issues on the register. Officers stated that P8 could be developed and split out to include administration.

The Chairperson asked if there were any areas where the risk had increased of the coding had changed. Officers advised that there hadn't been but the inherent risk of running a pension fund as a whole was huge, although the controls put in place brings that risk down somewhat.

Board Members asked about Employer Service Level Agreements; Officers advised that there was no admin strategy but an agreement between them. Board Members considered it would be worth noting there is an agreement in place.

**RESOLVED: To note the updates to the Risk Register 2018/19.**

## **10: Any Other Business**

The Chairperson referred to section 13 of the previous valuation and asked where Cardiff and the Vale fits in. Officers explained that it is hidden in amongst those with no areas of concern. The Chairperson asked that Officers send a link around to Board Members so they can look at it. The Chairperson noted that the LGPS is currently 2.5 years through a triennial cycle with the next valuation in April 2019.

The Chairperson advised that AON Hewitt had been reappointed following the retender. Within Wales they are the fund actuaries to the Powys, Swansea, Rhondda Cynon Taf and Cardiff & the Vale funds. AON Hewitt would be asked to present to a future Board Meeting.

Pensions Dashboard – the Chairperson stated that how the fund fits in will be a subject for the Board to look at going forward; this would also be linked to the website.

**Date of next meeting: 29 January 2019**