



**CARDIFF & VALE OF GLAMORGAN PENSION FUND
LOCAL PENSION BOARD
21 JULY 2020**

Present: Mr Michael Prior (Independent Chair)

Employers Representatives:
Carys Lord (Vale of Glamorgan)

Scheme Member Representatives:
Mr Peter King (Unison Nominee)
Sheelagh Doolan-Pitt (GMB Nominee)
Ms H Williams (Unison Nominee)
David Llewellyn (Finance Director, Cardiff Met)

In Attendance: Chris Lee, Corporate Director Resources
Gary Watkins (OM Revenues)
Marc Falconer, Pensions Manager
Karen O'Donoghue-Harris, Principal Pensions Officer
Mark Sims, Employers representative, Barry Town Council
Jayne Newton, Communications and Training Officer
Andrea Redmond, Democratic Services

Apologies: None received.

1: Membership of the Board

Noted.

2: Declarations of Interest

Mark Sims declared an interest as a member of the scheme,

3: Minutes of previous meeting and Matters arising

The minutes of the meeting held on 28 January 2020 were agreed as a correct record and signed by the Chairperson.

Matters arising:

None.

4: Administration Update

The Board received a report providing an update on the work being undertaken by the Pension Section.

A total of 6,139 measured “tasks” were completed during April to June 2020, compared to 7,136 in the same period for January to March 2020.

Due to the recent COVID-19 outbreak, the Pensions Section have had to adapt their working patterns to ensure continuation of the service to scheme members and participating Fund Employers. Whilst all staff have been set up to homework, there are a limited number of staff in the office most days. This was put in place at the start of the pandemic and has continued throughout. A rota has been set up with two different members of staff going in once a week on a daily basis. The reason for this was to ensure that the daily post received could be scanned to the record to ensure continuity of service, any original documents such as birth, marriage, death certificates could be returned to the member and any letters produced could be posted out.

Whilst we have been encouraging members to use electronic communication we also wanted to maintain services for our members, particularly the most vulnerable, remain able to contact us. We also had to bear in mind that some of our members might not feel confident using the internet and rely on postal or telephone services.

When we first went into lockdown, a number of actions were taken:

- A note went out to all employers directing them to the LGA website where there is a dedicated Covid-19 guidance, FAQs and links to the TPR website
- A Covid-19 update was put on the Cardiff & Vale of Glamorgan website
- A note was added to retirement documentation encouraging the use of electronic communication
- A further communication has gone out to all employers reminding them of the link to the LGA website and asking them to contact us if they have any issues or concerns.

The activities we have been focusing on are in line with TPR’s COVID-19 guidance for Public Service Schemes and recommends that administering authorities prioritise:

- paying existing pensioners
- processing new pensions benefit cases
- dealing with bereavement cases

Other areas that have continued to receive attention are ensuring receipt of employee contributions and the provision of member information to reduce the risk of scams and support effective decision making.

The Pensions Regulator produced guidance for trustees, scheme managers and employers on COVID-19. All the guidance is outlined on the TPR website. As outlined above, Cardiff and the Vale of Glamorgan Pension Fund are working in line within the current guidance and all our employers have been notified of the links to the TPR website.

As a result of the COVID-19 situation the Regulator have been adapting a more flexible approach to what they expect us to report in a number of areas. They will continue to

assess breaches of administrative and compliance requirements as a case by case basis and respond pragmatically where these breaches are COVID-19 related.

The Scheme Advisory Board has a COVID-19 Practitioners Group, which the representative from Wales is Dyfed Pension Fund. They collate statistical data from each fund and any issues that need to be raised at the Practitioner Group. They also provides feedback and guidance from the Practitioners Group to the Welsh Funds following each meeting. We have been reporting death rates on a monthly basis and had to report back on whether we were likely to have any issues in meeting the disclosure requirements regarding issuing Annual Benefit Statements. We foresee no issues in Cardiff and the Statements will be issued by the deadline of 31st August.

Further to progress reported to previous meetings of the Board:

- Cardiff Council, Vale of Glamorgan Council, Cardiff Met, Cardiff and Vale College and Careers Wales are producing regular extract of data and are up to date with postings to year end 2019/20

- Progression with 2020/21 extracts is to proceed imminently with inclusion of additional checks and processing to ensure the best standards of data submission, acceptance and uploading to the Altair administration system are in place

- GLL are the only extract employer who have not submitted any 2020/21 extract data, they are currently being chased for provision of this data - All Employers utilising online returns are sending their submissions through i-connect regularly

- To aid in the avoidance of having to deal with any misbalanced information on bulk at year end, a new form has been provided to all employers which they need to complete alongside their data submissions. This form once completed confirms the balancing or shows misbalances in the current period data.

MSS launch was delayed due to COVID19 and team sickness. However, we are now pleased to say we are now back on track and close to launching the MSS facility. 16. We have rolled out the test site to a Team within County Hall and they were asked to use extensively and to try and 'break it'. The team have done a great job testing the site and have picked up a few issues which we have referred back to Heywood's for fixing. They also made some recommendations on how we could make things simpler for members with little or no pension knowledge – where possible we have made these changes. However, the feedback from the team has been overwhelmingly positive and they are excited for MSS to launch.

Cardiff Council ICT have run the IT Security Penetration Test, which flagged up a few critical and high priority issues. These are currently being looked at by Heywood's and hopefully we will have a resolution to these soon.

We have also found a resolution to the registration email getting caught up in spam. Heywood's and Cardiff ICT are working together to put the resolution in place.

We also still have a number of design, text and tweaks we need to the main site – Heywood's have been slow responding to these but have speeded up with the fixes in the last week.

As with any new software, as we fix or change some things, this has a knock on effect to other things so we need to constantly keep reviewing and fixing until we are happy with the final product.

Once we are ready to roll out the product, we have agreed on a soft launch where it becomes available and will be accessible via the Pension website. However, we have changed how we notify members the product is available.

We have decided to have a phased Employer by Employer launch. This means we will be able to allocate individual time to each group of members and hopefully get more people signed up using MSS. Pre COVID19 we planned to visit each Employer canteen/chill out area on site and encourage them to sign up, however, we may need to adapt this process according to the current situation.

GMP Reconciliation has faced further delays due to COVID-19 and HMRC having other priorities, however HMRC have said they will provide the final GMP pension data cuts by the end of July.

LBP Members asked whether staff were using their own equipment or Council equipment at home. Officers advised that some took equipment home from the office, other used laptops initially; all are now using Council equipment however. It was noted though that the ability to scan and print etc. was primarily limited to staff on rota in the office. It was noted however that there was an increasing use of hybrid mail.

It was noted that members should be informed there may be a delay in responses to queries as most staff are home working.

LBP Members asked if there would be a delay in producing the Annual Statements and were advised there would not be, they were working to the same dates as last year.

It was also noted that the team had been able to relax the way in which they receive documents i.e. photo evidence, email signatures.

CL noted that there had been issues previously with the Vale of Glamorgan and the iConnect system for year end and asked if all was up to date here. Officers advised that it was all up to date, there had been a few reconciliations but all had been done.

The Chair asked if there had been any issues from elsewhere; Officers advised that other than GLL yet to send April information, there were no other issues.

Members discussed the administration costs of the scheme and noted there was plenty of time to come back and report on this again. Officers advised that AON had added in an allowance for this going forward.

A few issues with the website were outlined and the Chair understood that there would always be technical issues and also delays due to the pandemic, but these had been identified and were being worked through. He was pleased with the work being done in such difficult circumstances; Board members endorsed this too.

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

5: Wales Pension Partnership Update

Members were advised that as at 31 March 2020, Cardiff & Vale Pension Fund's holdings in the WPP UK Equities Fund totalled £164 million which had increased to £186m at 31st May 2020. The assets held by all eight pension funds across the three WPP sub funds at 31 March 2020 totalled £4.322 billion.

The launch of the WPP Five fixed income sub funds was delayed due to the impact on the financial markets of the coronavirus but has now been confirmed for the end of July. The Cardiff & Vale of Glamorgan Fund currently holds assets totalling £616 million in fixed income which will be reinvest in three of the five WPP Fixed Income sub funds.

At this stage no investment has been made into either of the WPP Global Equity Funds. Further work is required to establish which of the two funds – Growth or Opportunities – or whether a mix between the two funds is most appropriate for this significant investment.

Work is ongoing to develop pooling solutions for further asset classes. The first of these will be proposals for an Emerging Markets sub-fund where a prospectus is expected to be launched in July with an early 2021 target for the sub-fund to go live. Further work, led by Russell Investments, is being undertaken to explore options for Private Markets Investments which include property, private equities, private debt and infrastructure assets. This activity is at an early stage with no agreed timeline and discussion papers, including the benefits of consolidating property assets with the WPP, still to be produced. As at 31st March 2020 the Cardiff & Vale of Glamorgan Fund currently holds assets totalling £80 million in Emerging Markets, £165 million in property and £85 million in private equity.

The WPP meetings with the Chairs of the eight Local Pension Boards scheduled for 2 April 2020 was cancelled but a work is progressing to set-up a meetings for September.

The next meeting of the JGC is scheduled for 17 July 2020 which will be a remote meeting held via MS TEAMS. Papers will be published on Carmarthenshire Council's public website.

The Chair asked for clarification on the proportion of the fund that was with WPP and officers clarified that it was around a third. The Chair noted it was becoming significant in how we invest our assets.

The Chair asked about the relationship between Link and Hymens. Officers advised that Link is the operator; Russell is sub-contracted by Link; Hymens are the actuary providing external/independent advice to 8 funds; Hymens report directly to WPP. Officers added that they went out to tender and Hymens were selected, this has helped with continuity as they have been included from the start.

RESOLVED - That the Board note the developments in the Wales Pension Partnership.

6. Investment Update

Members were reminded that the Investment Advisory Panel is responsible for monitoring the Funds Investment performance. However given the current economic circumstances it was felt that an update to the Board would be informative. It is important to reinforce that the Funds investment performance remains focussed on long-term market returns but nevertheless it would be useful to provide an update on performance in 2020 to date which has been dominated by the impacts of Covid 19 on the economy both in the UK and globally.

The report shows movements in the FTSE All Share Index over the 12 months to 9th July 2020. This indicates the steady climb of equity values through 2019 followed by the rapid decline during the early months of 2020 culminating in the low position of the index during March 2020 with the announcement of “the lockdown”. There was an indication of an element of a partial “bounce-back” since March although the extent of the volatility remaining in the Markets is also revealed. The annual performance of the FTSE All Share Index shows a 17.6% decrease.

Although there were global implications from Covid-19 the impact was not uniform with a move to more “defensive” positions seeing performance variations between major Financial Markets and different sectors. In this context the deterioration of the performance of the London Stock Exchange was higher than the other major markets with the value of the Pound also declining against the other major currencies.

As a consequence the Markets responded with a number of “defensive moves” with an increase in the value of the Dollar, switches to larger companies with strong balance sheets and the move to Government Debt. Central Banks and Governments throughout the globe responded with interest rate cuts and commitments to buy gilts and bonds (qualitative easing) as well as unprecedented measures to minimise the short term economic impact as countries moved into “lockdown”. Nevertheless a widespread global recession is expected although the severity and timing remain uncertain.

The value of the Fund’s most liquid assets – Equities and Fixed Income Bonds / Gilts – compared with the position at 31 December 2019 and 31 March 2020 were outlined. The position mirrors the macro-economic comments in the previous paragraphs above with a significant reduction in asset value revealed by the 31 March 2020 valuation compared to December 2019. The May 2020 valuation indicates an element of recovery but not yet back to the December 2019 position. It should be noted that a large investment in a Global Low Carbon Equity Fund was made in January 2020 which was funded by sale of UK & US equities which explains some of the drop in UK Equity value between December 2019 and March 2020.

The Fund also holds investments in Property and Private Equity, which are investments in un-listed companies. The assets are a further demonstration of the long term nature of the Funds’ investments. They are collectively known as illiquid assets due to the less visible mechanism for their trading compared to listed equities or fixed income bonds / gilts.

The Chair asked in relation to LGPS funds, if any assets were frozen and cannot go to WPP. Officers advised that there were not, the property assets were managed in a pool already. Property assets will come into this pool eventually but at a time that

suits all. The Chair noted that the Board usually have a report on how investments are performing and it would be useful to see how this is with WPP.

PK referred to moving from Carbon Based Investment, and stated that the average union member think the fund should be disinvesting from heavy carbon, so this is a good direction to go in albeit slowly and cautiously. Officers explained that £10million into the Blackrock Low Carbon Tracker Fund was a wise move in terms of timing prior to lockdown.

The Chair asked that the Climate Policy approved by JGC on 17 July 2020, be brought to the next Board meeting.

RESOLVED - That the Board note the developments in the Funds' Investments.

7: Any Other Business

The Chairperson welcomed Marc Falconer to his first meeting.

The Chairperson wished to place on record his thanks to Gareth Henson who established the Board and had been a link for the last 5 years, he wished him a happy early retirement.

The Chairperson considered that future meetings should be held remotely as it has worked well.

Regular updates from Officers is giving further confidence to the Board.

The Chairperson thanked the officers and team for working well and coping in difficult circumstances.

Date of next meeting

27th October 2020.