

PENSIONS COMMITTEE

17 MAY 2021

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

16 : APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Lay.

17 : DECLARATIONS OF INTEREST

None received.

18 : MINUTES

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

19 : BUSINESS PLAN 2021/22

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

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

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

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

The Fund's sources of income are:

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

The Fund's expenditure comprises:

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

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

The Chairperson invited questions and comments from Members;

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

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

RESOLVED to approve the Business Plan for 2021/22.

20 : WALES PENSION PARTNERSHIP

Officers updated the Committee on progress towards the establishment of pooled investment arrangements for the eight LGPS funds in Wales under the oversight of the Wales Pensions Partnership.

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

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

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

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

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

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

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

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

The Chairperson invited questions and comments from Members;

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

RESOLVED That the Committee :-

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

21 : RISK REGISTER

Officers advised Members that a Risk Register for the Pension Fund is maintained as part of the Corporate Risk Management process. The Register covers all aspects of management of the Fund including Investments, Funding, Governance and Administration.

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

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

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

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

The Chairperson invited questions and comments from Members;

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

RESOLVED: to note the Risk Register.

22 : MINUTES OF THE LOCAL PENSION BOARD

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

23 : EXCLUSION OF THE PUBLIC

RESOLVED That the following two items are confidential and exempt from publication as they contains exempt information of the description contained in paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. The public may be excluded from the meeting by resolution of the Committee pursuant to Section 100A(4) of the Local Government Act 1972 during discussion of these items.

24 : MINUTES OF THE INVESTMENT ADVISORY PANEL

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

25 : WPP EMERGING MARKET (EM) SUB-FUND

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

26 : URGENT ITEMS (IF ANY)

None received.

27 : DATE OF NEXT MEETING

5pm on 12th July 2021.

The meeting terminated at 5.35 pm

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