

# 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:

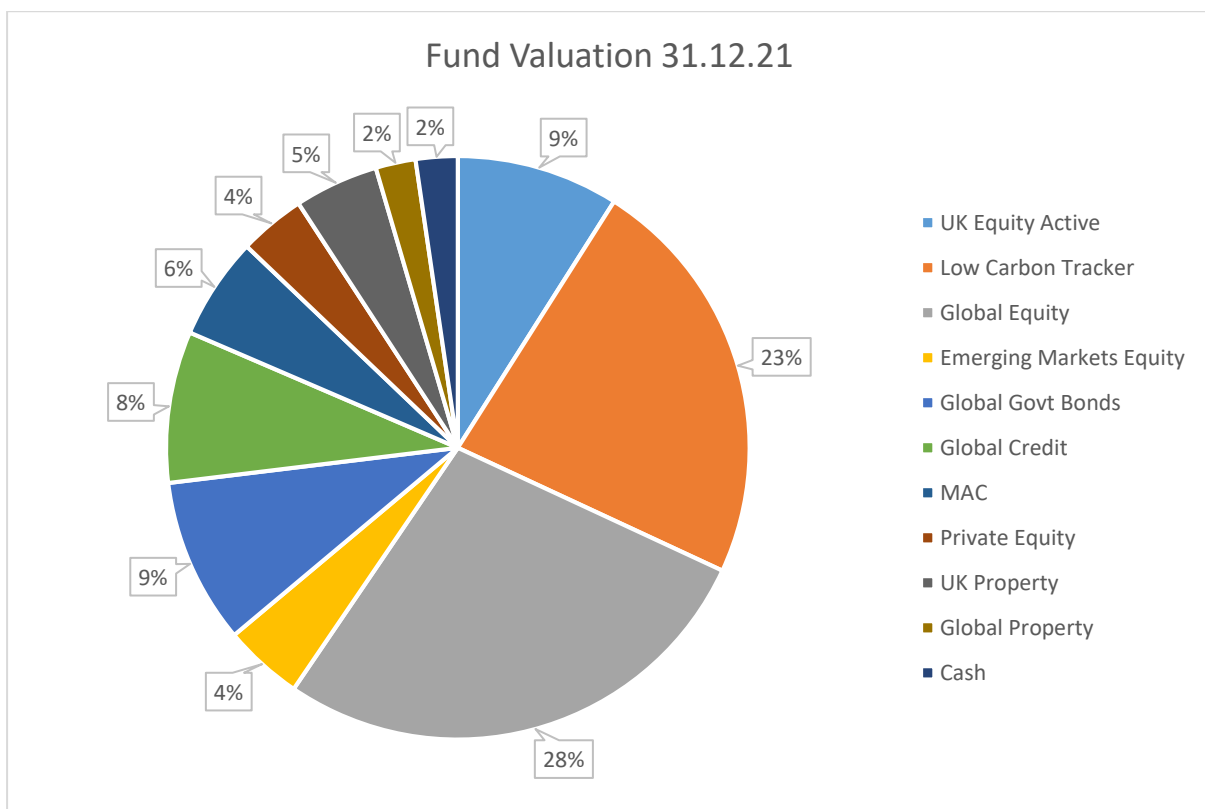
- To continue to improve the administrative capability of the Fund's administration and investment services
- To improve performance in meeting set targets within pension administration
- To consider proactively the increased use of new technology and electronic communications
- To monitor regularly 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
<b>Total membership</b>	<b>40,787</b>	<b>43,252</b>	<b>42,881</b>	<b>46,821</b>

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

	<b>2018/19 (actual) £000s</b>	<b>2019/20 (actual) £000s</b>	<b>2020/21 (actual) £000s</b>	<b>2021/22 (projected) £000s</b>
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
<b>Net Expenditure (Income)</b>	<b>-11,530</b>	<b>-11,062</b>	<b>-6,261</b>	

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

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
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
<b>CONTRIBUTIONS AND BENEFITS</b>			
<b>Income:</b>	Contributions Receivable		
	<i>Employers</i>	(72,400)	
	<i>Employees</i>	(22,000)	
			(94,400)
<b>Expenditure:</b>	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
<b>INVESTMENTS</b>			
<b>Income:</b>	Investment Income	(15,000)	
	Change in Market Value of Investments	(103,400)	
			(118,400)
<b>Expenditure:</b>	Manager Fees	7,300	
	Custody & Other Costs	200	
			12,370
<b>GOVERNANCE</b>			
<b>Expenditure:</b>	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
<b>NET SURPLUS</b>			<b>(110,390)</b>
<b>TOTAL ASSETS</b>	31/12/2021		<b>2,757,000</b>
	Projected 31/03/2023		<b>2,867,390</b>