

Local Pension Board (LPB) Meeting – 07 November 2022, 1pm.

Venue: Committee Room 3, County Hall

Attendees:

Michael Prior (MP) (Chair)
Peter King (PK)
Laithe Bonni (LB)
David Llewelyn (DL)
Mark Sims (MS)
Georgia Chedzey (GC)
Chris Lee (CL)
Gary Watkins (GW)
Marc Falconer (MF)
Karen O'Donoghue – Harris (KODH)
Jayne Newton (JN)

Apologies:

Hilary Williams

Declaration of Interest

None declared

Minutes from previous meeting

The minutes of the meeting held on 29 April 2022 were agreed as a correct record.

Matters Arising

None that are not covered in the rest of the meeting agenda

Administration Update

The Pension's Team had been unable to produce the details of statistics normally provided due to absences within the pensions

technical team but will resume the provision of this information as soon as possible.

There is a drop in the number of tasks completed compared to last year due to staffing issues with people leaving and new people who need training, which slows down the fully trained people.

The Team is continuing to focus on retirements, but are receiving a large number of voluntary severance requests, which need calculations.

In addition there are deadlines for transfers, so a focus on these tasks is also needed.

The Board noted that we are 1,400 tasks down on last year, which will be building a backlog. Even with one new recently recruited member of staff, it will take a few months to get up to speed. Plus, all other tasks need to be addressed.

It was noted that the number of transfers out were increasing and asked if this was due to leavers or people cashing in their pensions. It was confirmed it was a combination of both.

New transfer regulations means that we are taking much longer to process transfer requests.

There is currently a potential fraud which is being investigated with the police. This is confidential and we cannot discuss the details at the moment.

The Team is still operating a rota basis for all staff to attend the office. Managers have returned to the office, to support the admin staff on a 1 day a week rota. This has increased staff morale.

Staffing

There are currently 6 vacancies, three grade 3s and three grade 5s. In the last round of grade 3 advertising, we had four applicants, and offered all interviews. Three pulled out and one applicant was interviewed but was not successful.

For Grade 5 posts 4 applied, three applicants were offered an interview for week commencing 23 Nov, 1 has accepted and 2 no replies.

The Team want to explore alternative ways of advertising and recruiting, maybe with CVs only or use of recruitment consultants. Other funds have done this and had success.

The Board pointed out that if we are starved of resources, we need to find new ways to recruit, or suggested re-visiting job evaluation as the work has become more difficult.

The LGPS are looking at this problem nationally and trying to get the skill set recognised as a profession and not an admin role.

Board stated that the grade 3s and 5s did not seem comparable with the work and should have another re-evaluation. It was confirmed VOG have a similar position with staff in the payroll team.

The Board noted the normal route of recruitment is not working and we need to find a new innovative way of recruiting. There needs to be a meeting with the HR team to further discuss options for recruiting.

C L confirmed the recruiting process has taken place multiple times and growing our own qualified people also needs to be considered. It will remain a red risk on the register.

MP said the Board need to stop noting the recruitment problems and to start taking action and finding an alternative.

It was suggested by the Board that a Market Forces Supplement could be looked at ?. Officers confirmed we are in a difficult position, and if we increase the salary of a grade 3 and 5s are increased, then this will have potential implications for the salary of our grade 6,7 and 10.

To provide some wider labour market context Cardiff Metropolitan University confirmed that the number of people leaving has increased from 5% to 10%.

The Board suggested using LinkedIn with a Cardiff Council profile, LB will send details through as a similar approach had been used in the Vale

The Chair wanted it formally noted that as a Board from a regulated point of view they are concerned with the Pension Section's recruitment difficulties.

GMP

No further update received, this project has been delayed due to Mercer requesting more data. Mercer were having a management meeting two weeks ago and promised to update after this meeting but to date no update had been received. Officers have formally escalated this update request and requested a reply ASAP. If action not taken soon this will not be completed before April 2023 pensions increase.

McCloud

The Pensions team have finished uploading all the data we have received; we do have a number of small employers still outstanding, and we are continuing to chase these employers. We have completed phase 1 of cleansing. Phase 2 the calculation is still to be

done and we are waiting for the software to be completed to action the calculations.

Dashboard

Aon will start a kick off project for us soon. Heywood's the software suppliers are coming into the office for a face-to-face meeting to discuss this week.

Board mentioned they would like a presentation on Dashboard to explain the 8 steps needed.

MSS

When last measured, current uptake was holding at just below 40%.

Pensioners have not been given access to MSS as there would no actions for them to complete online as the payroll is currently done by Cardiff Council and not Altair.

Employer Forum

The Employer Forum has been booked for 12 December 2022 at City Hall and invitations have been sent out. The Chair stated he is not able to attend and asked if anyone else within the LPB would like to say a few words for Pension Board.. Employer forum and trade union meeting has been combined again this year.

Taxation Workshop

We are currently arranging a high earners tax workshop; Hymans will be giving this session on our behalf this year. It was very much appreciated last time we ran these sessions.

The Board asked that the Board are notified when these sessions will be taking place.

Risk Register

Additional drafting to be added to P2 on Risk Register to reflect the recent UK Government Gilt market volatility as a result of the mini-budget although the impact for the Fund was not significant.

Employer Contribution results arising from the 2022 Valuation are expected to be ready at time of Employer Forum.

We are waiting for a decision to be made by the Government on 17 November 2022 if pensions and deferred benefits will increase in line with September CPI this year. CPI in September 2022 was 10.1% but we will see if Government will maintain this link. We will know this before the Employer Forum so we can clarify this at that time.

There is a risk in relation to LINK who are the operators for the WPP Investments. The main concern being procurement risks if WPP needs to find a new operator quickly in advance of the normal procurement timetable.

The Board pointed out that LINK had been fined by the FSA, in view of this MP suggested that the risk level should be increased.

Officers confirmed we would leave the risk likelihood category as a 'C' but would increase to Impact rating to '2' which is significant.

Chris Lee believes everyone will be more comfortable with the change from Green to Amber for this Risk.

Officers confirmed that the report to the Pension Committee would change to C2 – based on recommendation from LPB

PK wanted it minuted that Mercers were not performing in relation to risk P15.

The Board also suggested that Risk P20 – Resource Implications should have its Residual Risk Likelihood changed to a 'B' - Likely. Resource issues are affecting a large number of the risks discussed.

The Board requested changes discussed should be added to the Risk Register to be presented to the Pension Committee. An updated version of the Risk Register to be presented to Pension Committee to be circulated to LPB members.

Investment Update

Officers provided an overview of the Fund value. Post pandemic recovery was very strong but value of the Fund had fallen back in 2022.

Proportion of the Fund investments in WPP sub-funds was highlighted. The Chair mentioned we should be proud of this achievement/development. Officers confirmed we are one of the highest Welsh funds in proportion.

The Board noted it was very positive news and maybe we should mention at the Employer Forum.

The Board were advised we are a very cash healthy Fund, and did not need to sell assets to cover liabilities/pensions in relation to the recent news about Bank of England intervention to buy Government Gilts. Difficult Market conditions were expected in the short term with predictions that this is likely to be the longest recession in 100 years, but potentially not the deepest but the role of the Fund as a long-term investor was highlighted.

An overview of the WPP Sustainable Equity Fund, including its exclusions, was provided. The Board asked what the coal was used for as union members want us to move away from carbon investment. Officers confirmed as an example, that the steel industry still use non-thermal, coking coal. It was confirmed that the carbon footprint of the Fund had been reduced significantly following recent developments to Fund Investments.

The Board note that under 40s are not interested in their pensions, however many under 40s are interested in the Funds carbon footprint.

It was confirmed Fund Managers and Investors are switching more to decarbonisation which is a great step forward.

The Board advised this information should be on the website as it is a good news story.

It was confirmed work on the WPP property fund will start early next year.

Board asked to note this update.

Annual Report 2021/22

The Pension Fund Statement of Accounts (SoA) will be approved by Council in late -November following the completion of the Audit.

The Pension Fund Annual Report, incorporating the SoA, will be presented for approval to the Pension Committee at its meeting on 28 November.

The Board were informed that the document was still a work in progress but the LPB would still get a good feel for how the final document would look and the information it would contain.

This year there will be a report from the LPB added to the Annual Report.

The look and feel of the Annual Report had been significantly improved over the last few years. Officers will continue to look at ways that the presentation of the Annual Report can be improved going forward.

The Board considered that within the Executive summary a paragraph should be included about the progress made with ESG

developments. It was felt many people just read the executive summary.

The Board wanted to know why WPP costs table was still blank, and this area was highlighted as one of the areas of the Annual Report where further work was still required.

A completed version of the Annual Report will be circulated to LPB members.

Board asked to note progress with completion of the Annual Report.

AOB

The Board asked about on the progress of the 2022 tri-annual valuation. In particular whether the Fund was now fully funded and when Employers will know their employer contributions rates from April 2023?

It was confirmed that Aon were continuing to work on the Valuation, and information will be ready for presentation at the Employer Forum in mid-December.

The format of future meetings was discussed, and the Board decided that every other meeting would be in person.