



CARDIFF & VALE OF GLAMORGAN PENSION FUND

LOCAL PENSION BOARD

7 NOVEMBER 2023, 2.00PM

REMOTE - TEAMS

Present: Mr Michael Prior (Independent Chair)

Employers Representatives:

Laithe Bonni (Vale of Glamorgan)

David Llewellyn (Cardiff Met)

Mark Sims (Barry Town Council)

Scheme Member Representatives:

Ms H Williams (Unison Nominee)

Mr Peter King (Unison Nominee)

Ms Georgia Chedzey (GMB Nominee)

In Attendance: Chris Lee, Corporate Director Resources

Marc Falconer, Pensions Manager

Gary Watkins, OM Revenues.

Jayne Newton, Communications and Training Officer

Karen O'Donoghue-Harris, Principal Pensions Officer

Andrea Redmond, Democratic Services Officer

1: Apologies and Declarations of Interest

There were no apologies or declarations of interest received.

2: Minutes of previous meeting and Matters arising

The Minutes of the previous meeting held on 18 April 2023 were agreed as a correct record.

Matters arising: None.

3: Administration Update

This report was to update the Board concerning the work being carried out by the Pensions Section.

The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board Members.

LPB Members were informed that a total of 6,741 measured “tasks” were completed during July to September 2023, compared to 5,096 in the same period for July to September 2022. A month-by-month comparison of the completed tasks for 2018-19, 2019-20, 2020- 21, 2021-22, 2022-23 and 2023-24 were summarised in a chart in the report detailing ‘The Number of Completed Tasks by Year’.

Referring to the chart, the Chairperson suggested perhaps limiting the number of tasks to the last 5 years and looking at more recent comparisons (perhaps the last 2 or 3 years) in order to enable the trends to be more easily followed. A discussion took place in which members felt it would be useful to retain a pre-Covid figure to compare as a baseline but were in favour of reducing the years. Officers responded that a pre-coded benchmark could be retained so as not to lose track of what was previously done prior to Covid. A graph could be produced with the current year plus 2 and the Appendix could contain the previous years and the graph of pre-Covid figures as a benchmark.

The Chairperson asked for clarification on why there had been more tasks carried out in previous years and whether this was due to a honing down of the number of tasks due to members’ self-service or some other issue. Officers advised that this was due to backlogs and resourcing issues being experienced.

The Chairperson asked about the size of the Pensions team currently. Officers advised that there were currently 17 permanent members of staff with 8 permanent vacancies (3 grade 3, 3 grade 5 and 2 grade 6). Interviews for the Grade 3 posts were taking place on 16 and 17 November 2023. The Grade 6 posts would be advertised on either 7 or 8 November. It was necessary to appoint the Grade 6 posts prior to the Grade 5s as there would be internal people applying for the Grade 6s.

PK requested that the wording in the top of paragraph 5 on staffing be amended to read ‘8 permanent position vacancies’ for the avoidance of any doubt. Officers confirmed that they were full time posts that were available and needed to be filled.

LPB Members were advised that the Senior Management Team had engaged with AON for a targeted piece of work to review the current structure, pay and resourcing levels of the Pensions Team. A meeting was scheduled with AON for early

November where detailed discussions would take place on the proposals put forward. Officers would report back to the Pension Committee after this meeting had taken place and once agreed could take forward and report back to the Board when there were firmer details on what the proposals were.

Officers referred to the fact that GMP reconciliation was still ongoing. In the last meeting it was reported that Mercer had changed the Benefit Specification and the way they wanted Pensions to provide data. LPB Members were informed that the Pension Team was working closely with their software provider who had developed a report to enable them to provide the data in the correct format. The data was provided to Mercer on 12th June 2023. In September an update had been received from Mercer to say they were progressing well, and the Initial Analysis stage was near completion. There were a number of questions that needed answering and officers were currently waiting to receive any queries and exceptions.

An updated Project Plan had been received with a date of 29 February 2024 for the final data to be issued. This had slipped back from the 31st December 2023 which was the first date provided. A communication exercise would follow for those members whose records had been affected.

Officers noted that any overpayments would not be covered and any underpayments would have arrears added to them and interest paid on those payments.

Officers stated that as the date was so close to the pension increase run in April it would undoubtedly be necessary to go through the annual pension increase before records were updated. As long as Mercer provided the Pension team with the information by the end of February officers would be actively actioning the information during the next financial year.

The Chairperson noted that the subject had been on Cardiff's and the National agenda for a considerable number of years and that it was good news that it was being resolved and asked what the position was with other local authorities in Wales. Officers responded that Swansea was in the same position as they also employed Mercer, some authorities had completed such as Carmarthen who did it in house, others outsourced and some had not completed like Cardiff.

Officers provided LPB Members with an update on McCloud – the Regulations coming into force with effect from 1 October 2023. Officers advised that administering Authorities now needed to consider a range of McCloud-affected cases and to encourage a broadly consistent approach, DLUHC had issued statutory guidance for administering authorities on how they should prioritise work. It was noted that the Authority was prioritising and following statutory guidance but things were taking longer than expected with problems such as more difficult cases where the hours went back many years and those working term time, manual checks having to be made and 17,500 records to go through. However, compared to many Welsh employers the Authority was in a good position regarding the upload of data which was currently at 75%.

The Chairperson referred to the report and dealing with priority cases as Group 1 and asked how many groups there were in addition to the initial group. Officers

responded that the Group 1s were the leavers and after that all the re-calculations had to be re-visited. The priority was the current leavers going forwards so that it would not be necessary to go back and revisit them. The software was not in a position to carry out the re-calculations. Members were advised that Group 2 would be the recalculations of employees who left prior to 1 October 2023.

Officers advised that under the disclosure regulations the Authority had to inform members about McCloud by the 1 January 2024. An All Wales Communication Group had been convened for the week commencing the 13 November 2023 to discuss how members would be communicated with but it would probably be in the form of a newsletter.

PK asked officers if the pension regulator was aware of the issues with implementing McCloud. Officers responded that the LGA had highlighted the issues with McCloud, the work involved and also with the Pensions Dashboard. The Chairperson added that all public sector schemes were affected by McCloud and the Scheme Advisory Board was in touch with the TPR.

LPB Members were advised that the Department for Work and Pensions (DWP) had laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timetable would be set out in guidance and all schemes in scope would need to connect by 31 October 2026. The staging timetable would indicate when schemes were scheduled to connect, based on their size and type. LGPS was scheduled for October 2025.

The Chairperson commented that it would be useful for the Board to see what members will view when they go on the dashboard. He asked if it would be possible to convene a joint meeting to receive a presentation on what was required to comply with the regulations and what members would see on the dashboard. Officers agreed to this and clarified that there had been a screen shot of the screen which would show members what they would see to give the value of their benefits. There had been some issues around displaying AVC data and whether to load it directly or members accessing the information through a link.

In respect of the Annual Benefit Statement, Members were directed to a table in the papers showing the numbers sent out this financial year. Members noted that it was good news that out of the 17,000 issued 6,300 were issued as online statements only. Officers noted that next year it was hoped to increase the numbers of individuals accessing the online statement and then only those who opted out would have a paper copy which would lead to huge savings in the cost of printing and postage.

In relation to the Annual Benefit Statement, the Chairperson asked about the 'gone aways' and envelopes returned. Officers clarified that an exercise was in place with the software provider looking at gone aways and a tracing exercise to try and trace those people. Officers informed Members that since the letters had gone out there had been a significant increase (1961) in the numbers who had registered for online statements.

Officers directed Members' attention to Appendix 2 which showed the backlogs which had been split into three main areas. The Authority was currently looking at third party support to address the outstanding backlogs. This option was currently being considered and discussions with the procurement team were ongoing. It was hoped that progress in this area would be made soon.

The Chairperson asked if in a future report the backlogs could be dealt with at the same stage as Appendix 1 in terms of the figures and staffing.

ACTION:

- 1. In relation to the 'Number of Completed Tasks per Year' for future reports a graph to be produced with the current year plus 2 and the Appendix to contain the previous years and the graph of pre-Covid figures as a benchmark.**
- 2. Officers to convene a joint meeting for Members to receive a presentation on what was required to comply with the Pensions Dashboards (Amendment) Regulations 2023 and what members would see on the Pensions dashboard.**

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

4. Wales Pension Partnership (WPP) and Investment Update

This report was to update the Board concerning recent Wales Pension Partnership (WPP) and investment matters for the Cardiff & Vale of Glamorgan Pension Fund (Fund).

The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board members.

HW asked for clarification regarding paragraph 6 of the report relating to the WPP Sustainable Equity Sub Fund which stated that it had been developed to align with the WPP's sustainability goals including Net Zero and had a clear climate focus. There were a number of exclusions including Controversial Weapons. She asked what was meant by the term controversial weapons as opposed to non-controversial weapons. Officers to liaise with Russell Investments to seek clarification on the official definition.

A discussion took place on the move to the Sustainable Equity Fund and PK felt it was something that should be actively publicised.

The Chairperson enquired as to the timetable coming up to re-tender. Officers responded that the Operator procurement was proceeding with the procurement documents released in mid-October. The end of January would see a Bidder's

interview day which would be followed by an officer preferred bidder recommendation to the March 2024 JGC meeting. The new Operator contract would commence in December 2024.

The Chairperson referred to the level of investments with WPP and that this demonstrated how important it was in terms of the Investment Model.

LPB Members were informed that In July 2023 the Department of Levelling-Up, Housing and Communities (DLUHC) issued a consultation on the future of Pooling. A full copy of the consultation was attached as Appendix 1, with Appendix 2 providing a summary of the consultation proposals and questions.

The Chairperson enquired as to the size of the WPP Fund overall compared to the £50 billion threshold. Officers responded that was £25 billion as opposed to the £50 billion threshold. For Wales 60% of assets had been pooled and 80% for Cardiff and Vale

LPB Members were informed that the Pension Fund had engaged Hyman Robertson to advise the Fund on setting a Net Zero Target. A workshop was held on 30 October with a second workshop targeted for Tuesday 5 December, in County Hall at 10.00 am in Committee Room 3. The current timeline was for the May 2024 meeting of the Pension Committee to approve the Net Zero target for the Fund. The Chairperson added that several LPB Members had attended the first workshop and it was very positive session with all participants engaging fully.

Officers encouraged as many board members as possible to attend the second workshop taking place in December. Even though Members may have missed the first one Hymans Robertson would be covering off the content of the first workshop so they would be able to actively engage in the second workshop. Officers highlighted that this was a major piece of work and was something that the pension fund would be committed to in its move towards net zero in the years to come.

The Chairperson added that all the slides for the first presentation were circulated prior to the meeting and were available and all LPB Members should have received invitations to the workshops.

ACTION: Officers to liaise with Russell Investments to seek clarification on the official definition of Controversial/Non Controversial Weapons.

RESOLVED: To note the developments with the WPP and the Fund's Investments.

5. Review of the Risk Register

This report was for the Board to review the current Risk Register for the Pension Fund before it is submitted to the Pension Committee.

The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board Members.

LPB Members were advised that the changes to the Risk Register since the last meeting, were highlighted in paragraph 5 of the report for ease of reference.

The Chairperson asked if anything had been in the Risk Register in relation to the DHLUC Pooling Consultation. Officers responded that this had not been included and added that most of the recent changes were in relation to Sustainable Equity and the Link Sale.

A discussion then took place on Members' views of the changes in the Risk Register and whether it was felt that the DHLUC Pooling Consultation should be added. Officers advised that multiple consultations were received from time to time where the outcome was unsure. If the Risk Register was updated on consultations it became a little less certain. If the risk register was limited to facts that were known and not what might happen. If we know what will definitely happen as a risk we will include it. It could be added in when there was more certainty.

PK suggested that, whilst not wishing to add to the Risk Register because the DHLUC Pooling was a consultation document, it may be worth minuting something to capture the feelings of the LPB in being alert to the possible ramifications should it happen. This would then capture that the LPB had considered it.

ACTION: The Chairperson and officers to liaise over suitable wording regarding the LPB's consideration of the DHLUC Pooling Consultation and to monitor the outcome according to the consultation.

RESOLVED: To note the Risk Register.

6. Draft Pension Fund Annual Report 2022/23

The report was to preview the current draft unaudited 2022/23 Annual Report for the Pension Fund before the audited version was submitted to the Pension Committee for approval.

Officers advised that the Annual Report had a statutory deadline of 1 December 2023. It was not currently at a complete final document but was reaching that stage with some fine tuning (including some of the tables having duplicate rows which would be tidied up). Members noted that a substantial part of the Annual Report was the statement of accounts approved by Council on 26 October 2023 which were close to being signed off by the Auditor.

The report was outlined in detail by Officers after which the Chairperson invited questions and comments from Board members.

The Chairperson advised Members that the Annual Report contained some very useful information on employers, number of audited bodies, scheduled bodies, number of members, a number of policy statements, contribution levels and some extremely useful background information on the scheme as a whole. He added a comment that he attended a Chair's Engagement Meeting twice a year and that this was not currently in the LPB Report. He felt it was a useful way in which the

communication lines had improved since the establishment of the WPP and should be included in the LPB Report.

ACTION: Chairperson to liaise with officers to add information on the Chair's Engagement Meeting to the Report.

Officers were in the process of finalising the Report prior to forwarding to Audit Wales and then the Pension Committee for approval on 27 November 2023. LPB Members were asked for any comments with the next week to 10 days.

ACTION: LPB Members to send any final comments on the draft Annual Pension Fund Annual Report 2022/23 to the Chairperson or the Pensions Manager.

RESOLVED: To note the current version of the unaudited 2022-23 Annual Report.

7. Any Other Business

PK mentioned, if investing in infrastructure, one possibility could be to buy farmland and then letting it out to small producers with sustainable credentials and aims which would fulfil a few of the criteria of the net zero thrust. The Chairperson suggested that as well as property investment this could also result in social impact investment. He asked that the observation made be noted and followed up by the appropriate channels, perhaps going to the Investment Committee.

Officers added that as a result of the net zero work that was actively being carried out for the fund, and when whatever target was signed up to, there would need to have a road map in place and decisions made about what investment strategy needed to be followed. It was noted that some of the funds had net zero targets and work would be undertaken collaboratively through the pool and through the Investment Committee to determine what changes needed to be made to the investment strategy to hit that target. As a result, things like farms and woodlands for example may well come under active consideration at that time.

LPB Members were provided with an update from LB in relation to Vale of Glamorgan Council taking on the administration of the payroll of Stanwell School (August) and Cowbridge School (September).

The Chairperson encouraged anyone who wished to attending training course to do so. Upcoming training included courses on Pension Fundamentals, CIPFA, LGA Conference, York and a number of other training programmes.

ACTION: Board Members to make contact with JN if interested in attending any upcoming training courses.

The Chairperson thanked officers for their detailed reports and to Board Members for attending today's meeting.

Date of next meeting

2024 meetings of Local Pension Board to be confirmed with first 2024 meeting to be mid /end of January 2024.