



Minutes of the virtual meeting of the Pension Fund Committee held on Tuesday, 12 December 2023 at 11.00 am.

County Borough Councillors

Councillor M Norris (Chair)

Councillor M Ashford Councillor K Johnson
Councillor N H Morgan

Officers in attendance

Mr B Davies, Deputy Chief Executive and Group Director of Finance, Digital and Frontline Services
Mr P Griffiths - Service Director - Finance and Improvement Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Ms Y Keitch, Principal Accountant - Treasury Management and Pension Fund

Apologies for absence

Councillor G Jones

Others in Attendance

Mr K Bray – Local Authority Pension Fund Forum (LAPFF)

51 DECLARATION OF INTEREST

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

52 WELCOME

The Chair welcomed County Borough Councillor K Johnson to his first meeting of the Committee.

53 MINUTES

It was **RESOLVED** to approve the minutes of the 9th October 2023 as an accurate reflection of the meeting.

54 LEARNING AND DEVELOPMENT

Through the aid of a Powerpoint presentation, Mr K Bray (LAPFF), provided Members with an overview of the role of the LAPFF in respect of 'Responsible investing – protecting shareholder value'.

Members were provided with the context of the LAPFF and its work with the Local Government Pension Scheme (LGPS). It was noted that the LGPS is a very significant institutional investor both nationally and internationally, and details of LAPFF's responsibilities, its structure and the areas of concern for

responsible owners were provided.

Mr Bray proceeded to advise of work undertaken by LAPFF in respect of climate change and provided examples of engagement with a major mining company in Brazil and also with the largest steel producer in the world as part of ambitions for it to become the world's first full scale zero carbon emission steel plant. Other recent successes were also provided for the benefit of Pension Fund Committee Members and Members were informed that more detailed updates are included within LAPFF Annual Reports and quarterly Engagement Reports.

The presentation was concluded with details of the future for the organisation and the benefits of LAPFF membership in delivering value for money. It was confirmed that LAPFF would remain a fund-based organisation, with a clear focus on engagement with companies and working in collaboration with LGPS Pension Funds.

The Chair thanked Mr Bray for the very informative presentation and advised that the Committee were in receipt of the LAPFF quarterly Engagement Reports referenced, which Members found very useful, and noted the good engagement that takes place with companies as part of these arrangements.

The Chair advised of the Committee's support to the ESCG work, commenting on the positive influence on companies. The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services concurred and noted the extent of qualitative work undertaken by LAPFF that has a positive influence on companies in terms of promoting the highest standards of corporate governance and corporate social responsibility.

Following the discussion Members **RESOLVED** to note the update.

55 DELEGATED FUNCTIONS REPORT

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services presented his report to Members, which provided the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement.

Members were advised that during the quarter ended 30th September 2023, the overall value of the Fund decreased from £4,263 million to £4,235 million. Reference was made to the rolling 3-year performance of the Fund, with the Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services advising of the 1.7% positive performance as compared to a benchmark of 4.3%.

The Committee were informed of the performance within the last quarter, to 30th September 2023, where it was detailed that Global Opportunities high alpha equity portfolio and UK Credit portfolio outperformed their benchmarks; Baillie Gifford Traditional Equity, Global Growth high alpha equity portfolio, Global Active Sustainable Equity portfolio and CBRE Property under-performed their benchmarks; and BlackRock Passive Global Equity (low carbon), BlackRock Passive UK Gilts and BlackRock Global Infrastructure Solutions performed in line with their benchmark.

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services also provided a longer-term picture of the Fund's performance, over 10,

20 and 30 years, this showing the consistent delivery of positive and strong returns.

Members were referred to the tables at paragraphs 4.6 and 4.7 of the report which provided detail of the asset allocation of the Fund and the underpinning strategy.

With regard to infrastructure, the Committee were advised that the approach is for the Fund to invest over a number of years in order to optimise and secure opportunities across the different time periods (and vintage years) and details of such infrastructure was provided.

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services provided information regarding the current decline in gilt and bond prices, which had resulted in the Panel agreeing to increase the bond allocation in line with the Fund's current strategy. Members were informed that this was funded from the Bailie Gifford exposure held outside of the pool for such purposes, as part of continuing to implement the asset allocation strategy. It was noted that this re-balancing exercise took place during October 2023 and at the end of October the equity exposure had reduced to 63%.

The Service Director Pensions, Procurement & Transactional Services continued the report by providing an administration update.

It was advised that the Pension Fund's 'Annual General Meeting' was successfully facilitated on 15th November 2023, with attendees from Pension Committee, Pension Board and 24 Fund Employers. It was also advised that the production of the Fund's 2022/23 Annual Report was concluded following the approval of the audited accounts at full Council on 29th November 2023 and was published prior to the statutory deadline.

Members were informed that The Pensions Regulator (TPR) is expected to publish their new General Code of Practice imminently. The new consolidated Code will set out new governance standards for occupational pension schemes.

In respect of the Pensions Dashboard Programme (PDP) it was confirmed that relevant industry parties were being consulted on proposed staging dates and it is anticipated that the revised public sector scheme staging will be published in Spring 2024. Legislation will be updated to set an overall connection deadline for all schemes by 31st October 2026.

Updates relating to the Department for Levelling Up, Housing and Communities (DLUHC) were provided in respect of its regulatory update and also its response to recent consultation on investment reforms. An update was also provided on the HM Treasury's valuation cycle for all public sector schemes being underway and it was confirmed that the outcome of the valuations are expected to be confirmed later in the financial year via the publication of each scheme's valuation report. The Service Director also fed back that the LGPS Scheme Advisory Board (SAB) are currently in the process of setting its own cost control mechanism and the assumptions on which this process is based are currently being agreed.

Details of the Annual Allowance 2022/23 pension taxation statement exercise were provided, with scheme pay arrangements accommodated where appropriate. It was noted that the HM Treasury announced in the Autumn

Statement on 22nd November 2023 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance (LTA) from 6th April 2024.

Updates were provided in respect of Member Self-Serve, the Service's key performance standards and the 'Internal Dispute Resolution Procedure'.

The Service Director concluded his update with details of the work of the Pension Board, advising of the current vacancy on the Board with a recruitment exercise to commence in the New Year.

The Chairman commented on the Pension Regulator's General Code of Practice publication timeline and the Service Director confirmed that, to date, no timescale had been provided.

A Member of the Committee requested clarity on the work undertaken to promote the Member Self-serve and spoke of the benefits of such a tool. The Service Director Pensions, Procurement & Transactional Services provided feedback on the on-going work to communicate with and encourage scheme members of the Pension Fund to utilise this provision and noted that engagement will continue to be a priority.

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services provided a further update in respect of administration, noting the significant work pressures on the team and gave assurance that sound arrangements are in place to manage and prioritise workloads. The Deputy Chief Executive also highlighted the good recruitment and planning processes in place that forms a key part of service delivery arrangements.

Following the discussion it was **RESOLVED**:

- I. To note the issues being addressed; and
- II. To consider whether they wish to receive further detail on any issues.

56 PENSION FUND RISK REGISTER - RISK REGISTER OVERVIEW

The Service Director, Finance & Improvement Services provided Members with an overview of the arrangements in place to manage risk within the Pension Fund.

The Service Director advised Members that the Fund maintains a Risk Register which is reviewed and updated on a quarterly basis and referred Members to the Risk Register attached at Appendix 1 for their consideration. Members were informed that no updates to the Risk Register were deemed required to that reported to the October 2023 Pension Fund Committee.

It was **RESOLVED**:

- I. To note the arrangements in place for the management of risk within the Fund; and
- II. To review the Risk Register (Appendix 1) and consider whether they wish to receive further detail on any issues.

57 PENSION FUND STATEMENT OF ACCOUNTS 2022/23 AND AUDIT WALES REPORT

The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services set out the Pension Fund Committee’s role in respect of the approval process for the Pension Fund Accounts and through his report provided Members with the opportunity to discharge their responsibilities in this respect.

For the Committee’s information, the Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services advised that the Pension Fund Accounts (Appendix 1) and Letter of Representation (Appendix 2) were reported to and approved by full Council on 29th November 2023 and the outcome of the external audit, undertaken by Audit Wales, was an unqualified audit opinion (i.e. a clean audit opinion) which was included at Appendix 3 of the report.

The Chairman commented positively on the Accounts and thanked officers for the hard work involved in producing the Statement of Accounts. A query was raised in respect of investment assets within the Net Assets Statement and those held outside the pooling arrangements. The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services sign-posted Members to this information, as included within the Statement of Accounts.

Following discussion it was **RESOLVED**:

1. To note the audited financial statements of the Pension Fund for the financial year 2022/23.

58 WALES PENSION PARTNERSHIP - UPDATE

Through the report, the Principal Accountant - Treasury Management and Pension Fund provided the Committee with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

It was advised that the latest meeting of the JGC took place on the 20th September 2023 and the agenda had been shared with all Committee (and Board) Members before the meeting.

In respect of the forthcoming meeting of the JGC on 13th December 2023, the Principal Accountant - Treasury Management and Pension Fund listed the annual policies and papers which were to be reviewed. This covered a Host Authority update; WPP Business Plan 2023-24 Q2 review; WPP Training Policy; WPP Sub-fund Rebalancing and Alteration Policy; Stock Lending report; Operator update; Performance reports as at 30th September 2023; Responsible Investing and Climate Risk reports; Quarter 3 2023 engagement report of Robeco, the voting and engagement provide of the WPP; and Risk Register quarter 3 review.

The Committee were also informed of the next steps and priorities that covered the development of the Private Markets Sub-Funds and the Operator contract procurement process, and timelines for this process were provided. The Principal Accountant concluded by providing detail of the Task Force on Climate-Related Financial Disclosures (TCFD) reporting.

Members thanked the Principal Accountant for the information provided.

following discussion it was **RESOLVED**:

- i. To note the update.

The meeting closed at 12.15 pm

**Councillor M Norris
Chair.**