

The Vale of Glamorgan Council

Cabinet: 17th December, 2018

Report of the Leader

Appointment of Observer on Investment Advisory Body

Purpose of the Report

1. To appoint/nominate a representative to the Investment Advisory Panel of the Cardiff and Vale of Glamorgan Pension Fund.

Recommendations

1. THAT authority is given to the Leader to nominate a Member to be appointed to serve as an observer on the Investment Advisory Panel of the Council and Vale of Glamorgan Pension Fund.
2. THAT, where legally possible, attendance at meetings of organisations to which a Member has been nominated/appointed by the Council be classed as an approved duty for which travelling and subsistence allowances are payable, in accordance with the Council's scheme.

Reason for the Recommendation

1. To ensure appropriate representation by the Council on Outside Bodies.

Background

2. The Cardiff and Vale of Glamorgan Pension Fund administers all issues to do with pensions for the Vale of Glamorgan Council.
3. There are governance arrangements in place to support the administering body - Cardiff Council - in the management of the pension fund.

Relevant Issues and Options

4. With regard to investments, the Corporate Director Resources, Cardiff Council, is advised on investment matters by an Investment Advisory Panel. The Panel consists of Elected Members, expert independent advisers and officers of Cardiff Council.
5. The Investment Advisory Panel is made of
 - Corporate Director Resources, Cardiff Council
 - Two independent advisers
 - Cardiff Council, three Councillors

- Vale of Glamorgan Council, one Councillor as an observer
 - Audit and Pension Manager, Cardiff Council.
6. The specific role and powers of the Panel are detailed in Appendix A.
7. The observer role is currently vacant therefore Members are requested to nominate and agree a representative from this Council to undertake the role. The Investment Advisory Panel meets four times a year.

Resource Implications (Financial and Employment)

8. None as a direct consequence of this report.

Sustainability and Climate Change Implications

9. None as a direct consequence of this report.

Legal Implications (to Include Human Rights Implications)

10. None as a direct consequence of this report.

Crime and Disorder Implications

11. None as a direct consequence of this report.

Equal Opportunities Implications (to include Welsh Language issues)

12. None as a direct consequence of this report.

Corporate/Service Objectives

13. None as a direct consequence of this report.

Policy Framework and Budget

14. The Council is required to elect representatives to outside bodies.

Consultation (including Ward Member Consultation)

15. None.

Relevant Scrutiny Committee

16. None.

Background Papers

None.

Contact Officer

Jeff Rees, Operational Manager, Democratic Services

Officers Consulted

Monitoring Officer / Head of Legal and Democratic Services

Responsible Officer:

Rob Thomas, Managing Director

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ROLES AND POWERS OF ADVISERS AND OFFICERS OF THE INVESTMENT ADVISORY PANEL

I) OVERVIEW

- The power of removing and/or appointing administrators of local authority pension funds rests with Parliament.
- Following local government reorganisation in Wales, from 1 April 1996 Cardiff Council became the administering authority of the Cardiff & Vale of Glamorgan Pension Fund and effectively is the 'trustee' (although legally this is the Secretary of State).
- Under Minute 864 of the Cardiff Council Shadow Authority in 1995, the then Director of Financial Services was appointed to act as adviser to the Council in respect of its Pension Fund responsibilities (that power has since been delegated by the Council's Constitution to the Corporate Director Resources).
- An Investment Advisory Panel was formed at the same time to advise the then Director on investment matters.
- Under Delegation FS28 dated 3 July 2006, Christine Salter, Corporate Director Resources, has delegated powers relating to the management of the Pension Fund and the administration of pension benefits.

II) THE INVESTMENT ADVISORY PANEL

- Meetings normally take place quarterly following the production of quarterly valuation reports.
- The composition of the Advisory Panel at present is as follows:
 - Cardiff Council, 3 councillors (Chair of Panel to be from Cabinet)
 - Two independent investment advisers
 - Corporate Director Resources, Cardiff Council
 - Audit & Pensions Manager, Cardiff Council
 - Vale of Glamorgan Council, one councillor (observer)

The Pensions Manager attends to support the discussions at the meeting.

- In view of its advisory nature the Panel has no formal powers. Its roles are:
 1. To set the overall Fund Objective and to consider its attitude to risk and its relationship with the performance objective, and specifically its willingness to accept underperformance due to market conditions.

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2. To review Fund performance relative to the overall Fund Objective at least once a year following The WM Co annual performance report.
3. To monitor the Fund's individual internal and external investment management arrangements, actions and performance. To fulfil this role, the active managers are required to attend Panel meetings in rotation to explain their stewardship of the portfolios and to be questioned by the Panel. This ensures that each manager gives account of his stewardship at least annually.
4. To advise on overall investment strategy including asset allocation, as detailed below.

III) ASSET ALLOCATION

Strategic Review

- Asset Allocation is discussed and monitored by the Panel although formal responsibility lies with the Corporate Director Resources.
- Allocations are made across the following asset sectors, taking account of the statutory requirement to have regard to the advisability of investing in a wide range of investments and to the suitability of particular types of investments. This includes the split between active and passive management if applicable and, if not, whether active or passive management would be more appropriate:
 - i) UK Equities
 - ii) Overseas Equities (including the split between different geographical regions)
 - iii) Bonds/Cash (including Index-linked)
 - iv) Property
 - v) Private Equity
 - vi) Active currency
 - vii) Other

Allocations are set within percentage tolerances and the reasons minuted.

The Process

Triennial valuations and Annual monitoring

To establish percentage allocations for the Fund every 3 years within agreed tolerances following consideration of a report from the Corporate Director Resources outlining the views of the Advisers and of any other appropriate person or body. The results of each triennial actuarial valuation will be used when setting allocations. The investment strategy and ongoing allocations will then be discussed annually, when minor changes may be made.

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Quarterly

To review the actual allocations against the Panel's allocation in the light of the report of Corporate Director Resources on the quarterly valuation, and taking into account the views of the Advisers and of any other appropriate person or body.

Urgent Matters

When significant events necessitate urgent action the Corporate Director Resources will carry out her functions delegated by the Council following discussions with the Advisers. The Chair would be informed of any action taken as soon as practicable and a report submitted to the next meeting.

IV) INDEPENDENT ADVISERS

- The Investment Advisers' main role is to offer independent strategic advice to assist with the investment of Fund portfolios with the sole interest of the Fund in mind.
- Some of the detailed implications of this are as follows:
 1. To advise on the preparation of reports to the Investment Advisory Panel
 2. To attend each meeting of the Panel, advising on all matters
 3. To be available for ad hoc meetings and/or discussions with officers regarding issues arising between Panel meetings
 4. To advise the Corporate Director Resources and Panel on overall investment policy, including the distribution of assets between the main investment markets, to include email or telephone calls in matters requiring a quick response.
 5. To monitor the Fund's portfolios and consider and advise upon the desirability of retaining or changing particular classes.
 6. To provide advice on the appointment (incl. advertisement, short list, questionnaires etc) and dismissal of Fund Managers and other Advisers, and attend interviews.
- The appointment is subject to review at five yearly intervals. The Council may terminate the appointment at any time by giving written notice to the Adviser, to be effective upon actual receipt of the notice. The Adviser may terminate the appointment at any time by giving three month's notice in writing.

V) OFFICER RESPONSIBILITY IN RELATIONSHIP TO THE PANEL

Corporate Director Resources: Ultimate formal responsibility for all functions relating to the administration of the Pension Fund including the management of investments.

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Pensions Manager: Overall day-to-day Managerial Responsibility for Pension Fund matters, including monitoring fund managers, reviewing reports, administering asset allocation issues, and advising on all relationships with the fund managers and custodian.